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D 8523A

HONG KONG
Emerging democracy worries Beijing
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World News

Ulster talks postponed until after UK election

Ulster's political leaders agreed to end attempts to open negotiations on the province's future until after the UK general election.

Their decision, taken after meeting Northern Ireland secretary Peter Brooke, could mark the end of Mr Brooke's efforts to reconcile Unionist and nationalist aspirations. He is widely expected to leave the Northern Ireland office after the election. Page 7

Backing for Shamir
Israeli prime minister Yitzhak Shamir gained sufficient parliamentary support for his minority government to allow him to keep control over moves towards an early general election. Page 4

ANC attacks de Klerk
Cyril Ramaphosa, secretary general of the African National Congress, criticised South African president F.W. de Klerk for taking no action against security force death squads.

UN team trapped
UN inspectors, investigating Iraq's chemical and biological weapons stocks, were trapped in a bus by demonstrators outside the Sheraton hotel in Baghdad while police refused to intervene. The UN called the incident a clear Iraqi breach of UN resolutions.

80 die in fighting
At least 80 people died in fresh fighting between Armenian and Azerbaijani militants over the disputed territory of Nagorno-Karabakh.

US weapons cuts likely
The US is expected tomorrow to announce plans to cut production of weapons systems in response to the collapse of the Soviet Union. Page 5

Aborigines protest
About 35 Aborigines occupied part of Australia's disused former parliament house in Canberra, calling for self-government for the country's original inhabitants.

Freight disrupted
Customs brokers, who face redundancy when European Community frontier controls are abolished next year, claimed wide support for their one-day refusal to clear freight at many border crossings. Page 2

Serbs hear UN plan
United Nations special envoy Marrack Goulding tried to persuade Serb leaders from Croatia to accept a UN plan which provides for the withdrawal of the federal army from Croatia. Page 2

France swings right
France's governing Socialist party was badly defeated in six by-elections. Page 2.

Train crash kills four
Two commuter trains crashed head-on near Rome during the evening rush hour, killing at least four passengers and injuring about 50.

French to sign treaty
France is to sign the United Nations nuclear non-proliferation treaty which, it said, it had always supported. The treaty bans the transfer of nuclear technology. China is also ready to sign.

Air crash prompts strike
Pilots at the French domestic airline Air Inter are to strike for 24 hours on Thursday, accusing the government of jumping to conclusions about the Airbus crash in eastern France which killed 87 people last week. Page 2

Mrs Mugabe dies
Sally Mugabe, the Ghanaian-born wife of Zimbabwe president Robert Mugabe, died, aged 60. She was the secretary of the women's league in Mugabe's ruling Zanu-PF party.

Business Summary

HK banking commissioner alerted BCCI managers

The Hong Kong banking commissioner admitted warning managers of the local subsidiary of Bank of Credit and Commerce International to reduce their exposure to the parent company before the worldwide closure of BCCI on July 5.

The warnings followed earlier alerts arising from the late publication of BCCI's 1990 accounts. BCC Hong Kong reduced its lending to the rest of the group from $757m at the end of 1989 to $4m at June 30 1991. Page 16

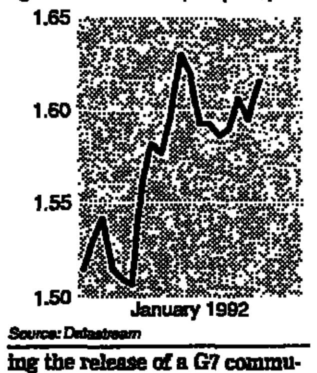
R.H. MACY, New York-based department store chain, filed for Chapter 11 bankruptcy protection yesterday. Its problems stem from a debt load of nearly $4bn incurred in a 1986 leveraged buyout by senior managers, and the 1988 acquisition of the Bullock's and I. Magnin chains.

GERMAN STEEL: IG Metall union said ballot among 100,000 workers had so far produced a 90 per cent "yes" vote for strike action. Page 16

FOREIGN EXCHANGE: The dollar maintained its firm tone through European trading and gained ground in Tokyo following the release of a G7 communique reaffirming participants' desire for stable rates. Page 36

Dollar

against the D-Mark (DM per $)



Source: Datastream

CANADA has frozen all discretionary government spending and public-service hiring to contain a spiralling budget deficit to C$31.5bn ($27bn) in the year to March 31, and calm increasingly jittery foreign investors.

MR YUTAKA KUME, president of Nissan Motor, attacked Mr Lee Iacocca, chairman of Chrysler Motor, for his "outrageous and insulting" remarks. Page 16

NESTLE, Swiss food group, given go-ahead by French stock market authorities for its FFr13.42bn ($2.48bn) hostile takeover bid for Source Perrier, France's leading mineral water company. Page 17

MOUNTLEIGH GROUP, debt-laden UK property company, announced pre-tax losses of £73.7m ($131m) for the six months to October 31 and passed its interim dividend. Page 17; Lex, Page 16

MERRILL LYNCH, US securities house, unveiled full-year profits of $696.1m, the highest in its history. Page 17

MAXWELL: Four Maxwell pensions funds covering about 4,000 employees and management at AGB Research, the UK's leading market research group, are to be wound up. Page 24

VOLVO, Sweden's largest industrial group, and Procordia, food and pharmaceuticals conglomerate, wait for reaction from Swedish government's privatisation commission on their proposed merger. Page 17

RUSSIA agreed to provide Poland with 7.6bn cubic metres of natural gas in 1992. This should guarantee gas supplies and get Polish heavy industry working again. Page 2

IMF is set to approve a $2bn loan to Brazil and back President Fernando Collor de Mello's economic programme.

Record exports boost hopes for UK economy

By Peter Marsh, Economics Staff, in London

THE British government was yesterday given fresh heart on the economy with news of record exports in the final quarter of last year.

Indications that UK exporters are continuing to find sales opportunities in a fragile world economy helped sentiment on the London stock market, where shares ended firmly higher.

A strengthening of sterling against a weak D-Mark also increased speculation that Mr Norman Lamont, the chancellor of the exchequer, might find room to cut UK interest rates before the budget on March 10 in a move which would help the government's chances in the general election the following month.

The developments gave Mr Lamont, who in recent weeks has been troubled by a weak pound and signs of continuing deep recession, his most heartening day on the economic front since Christmas.

According to the Government's Central Statistical Office, export volumes in the three months to December were up 0.5 per cent compared with the previous quarter, and 3 per cent higher than in the same period in 1990.

Last month, exports grew in value by 2¼ per cent compared with November to £9bn, ($16.3bn) while imports stayed little changed at £9.6bn. According to the CSO, the total deficit on the current account last month came out at £388m, as against analysts' expectations of a £500m deficit. In November, the figure was £630m.

Export sales help counter gloom ....Page 6
Lex ....Page 16
Currencies ....Page 36

The figures helped to buoy the stock market, where the FT-SE 100 index of leading shares closed below the day's highs at 2,539.9, up 29.5. On currency markets, the pound climbed three-quarters of a pfennig against the D-Mark, trading in New York last night at DM2.8737.

Sterling remains only about half a pfennig above its theoretical floor in the European exchange rate mechanism (ERM) against the peseta, the strongest currency in the system. But it is far enough away from its D-Mark "lower floor" of DM2.78 for the government soon to start contemplating the possibility of a reduction in base rates. These have been stuck at 10.5 per cent for nearly five months, during which many politicians and industrialists have called for new cuts in borrowing costs to aid the recovery.

The good performance by UK exporters during 1991 was a big factor behind a fall in the current-account deficit for the whole of 1991 to £5.8bn, from £15.2bn in 1990. In the government's Autumn Statement in November, Mr Lamont had predicted a deficit of £6.5bn.

Also contributing to the cut in the overall deficit was a sharp drop in imports, caused by low demand due to the recession. Although the CSO said import volumes between the third and fourth quarters of 1991 were virtually flat – providing little evidence that faint stirrings of recovery were stoking increased demand for imports – yesterday's figures encouraged hopes that good export growth during 1992 will aid the UK economy.

Despite signs of a puncturing in the general gloom about the economy over the past month, many investors remain cautious about the short-term outlook. Today's quarterly report on industrial trends by the Confederation of British Industry is expected to paint a downbeat picture of prospects over the next few months.

While the Treasury said the good export figures were "quite encouraging", the government's political opponents took the opportunity to highlight the size of the trade deficit, which both main opposition parties take to be a measure of economic weakness.

Mr Gordon Brown, the Labour trade and industry spokesman, said Britain was still firmly stuck in recession, with ministers paralysed by inaction, while the Liberal Democrats said: "An end-of-year deficit of (nearly) £6bn during the deepest recession Britain has experienced since the war is disgraceful."

Israeli foreign minister David Levy (left) and Andrei Kosyrev, his Russian counterpart, during their meeting at the Foreign Ministry guesthouse in Moscow yesterday

PLO demands jeopardise Mideast talks in Moscow

By Tony Walker in Moscow

LAST-MINUTE talks were being held last night to ensure the Middle East multinational forum due to open in Moscow today goes ahead as planned following demands by the Palestine Liberation Organisation for broader Palestinian representation.

US and Russian co-sponsors of the forum feared the issue of Palestinian representation could provoke a walkout by the Israeli delegation.

PLO calls for the Palestinian delegation in Moscow to include representatives from the diaspora, among them Jerusalem-born Palestinians, have cast a shadow over the multilateral talks, the third stage of the latest Middle East peace effort launched in Madrid last October.

Seeking to downplay the argument, US and Soviet officials made it clear the Palestinian delegation must be restricted to the "Madrid formula" allowing only representatives from the West Bank and Gaza strip, occupied by Israel in the 1967 war.

A two-tier Palestinian delegation was due in Moscow last night. At the Madrid opening last October, the Palestinian team included representatives from east Jerusalem, but these did not participate directly in the discussions with Israel.

Representatives from about 18 countries, including permanent members of the United Nations Security Council, are expected to sit down today in Moscow's Hall of Unions to discuss such issues as regional disarmament, economic development, water and the environment.

Syria and Lebanon are boycotting the talks, claiming Israel has shown no commitment to a Middle East settlement based on the "land for peace" formula outlined in Security Council resolutions. Radical Palestinians have con-

Continued on Page 16

Yeltsin cancels meetings and leaves Moscow

By John Lloyd in Moscow

RUSSIAN president Boris Yeltsin cancelled all engagements for yesterday and today and has abruptly left Moscow on what his aides described variously as "domestic business" and the need to prepare for a visit to Britain and the US later in the week.

Speculation that he might be ill – following recent reports of heart problems – was strongly denied by Mr Pavel Voshchanov, his press spokesman, who said: "The president is absolutely healthy and in excellent shape".

Mr Yeltsin's whereabouts were not made known, though officials promised a statement today. Senior Russian government officials said last night they had been given no further information. However, western diplomats said they were reassured by news that his foreign trip would go ahead.

Although it was not being suggested that his absence had any more ominous political explanation, the haste of Mr Yeltsin's departure was, if nothing else, being viewed last night as having been poorly handled in diplomatic terms.

Japanese officials were told on Sunday night that a meeting scheduled for yesterday with Mr Michio Watanabe, their foreign minister, had been cancelled without a new date being set. Mr Seiji Morimoto, the spokesman for the Japanese Foreign Ministry, said: "We were told that a meeting on Monday was impossible, and that perhaps the meeting would be possible at another time."

Japanese press reports yesterday had quoted unnamed officials close to Mr Yeltsin as saying that he had a heart ailment. However, a Yeltsin aide told Japan's Kyodo news service that the president was suffering from a cold. Mr Yeltsin had also been due to participate in the opening day of the Middle East talks today.

His planned trip to the UK on Thursday to meet Mr John Major, the British prime minister, and then to New York to take part in the United Nations Security Council summit on Friday, was said yesterday by Russian and British officials to be still on course. He is due to spend Saturday – his 61st birthday – at Camp David with US president George Bush.

His programme is normally crowded and often spread across a seven-day week. In recent weeks, he has travelled to the Urals, to the Volga region, to St Petersburg and Ryazan for speeches and to meet workers and shoppers – trips which saw him heckled for the first time since becoming president. Last Thursday he conducted a stormy meeting of the cabinet of ministers, which he heads in addition to his presidential duties.

He accused his ministers of having launched the price liberalisation with inadequate preparation for social security for the people and with not enough goods in the shops.

He has been under growing pressure from former close allies such as Mr Alexander Rutskoi, the vice-president, and Mr Ruslan Khasbulatov, the chairman of the Russian parliament, for his insistence on price liberalisation.

Lagardère plans merger of Hachette and Matra

By William Dawkins in Paris

MR Jean-Luc Lagardère, chairman of the Hachette publishing group and of Matra, the missiles and electronics maker, yesterday revealed plans to merge the two arms of his business empire.

"I am reflecting today on integrated financial structures which could unify the group without weakening control over it," he told La Tribune de l'Expansion, a French newspaper.

The plan, designed to allow cash to flow more freely between the two French companies, received a sceptical response from analysts, who argued that it produced few clear benefits beyond making both companies possibly more resistant to hostile takeover than they already are. Both are majority controlled by Mr Lagardère and shareholders loyal to him.

The scheme would create a group with FFr54.3bn ($10.03bn) sales and FFr1.1bn net profits based on their 1990 accounts, which showed group net profits of FFr492m on turnover of FFr30bn for Hachette and FFr606m of profits on sales of FFr24.3bn for Matra.

However, Hachette swung into loss in the first half of last year and faces heavy losses at La Cinq, its 25 per cent owned television station, which is seeking a rescue after filing for bankruptcy. Matra announced a steep profits decline over the same period, hit by falling demand for defence and telecommunications products.

"In these businesses, continuity, independence and long term strategy are indispensable and one cannot build in the fear of a hostile bid," said Mr Lagardère.

Once La Cinq's problems were settled, both companies would be very profitable, he said.

"The objective is not to cover the possible losses of one by the profits of the other, but to allow cash flow to circulate to invest in the most promising domains," Mr Lagardère explained.

Officials at Hachette and Matra stressed there was no timetable and the project was in its initial stages.

Mr Lagardère pointed out that Hachette's share of La Cinq's expected FFr1.12bn losses for last year would be covered by the FFr2.5bn profit from the sale by Hachette of the Paris headquarters of its NMPP press distribution company.

Mr Lagardère described Hachette and Matra as a "two-headed eagle" and argued that they had been unable to draw the benefit of belonging to the same group.

He bought a stake in Hachette in 1980, and wanted to merge it with Matra at the time. But Matra was nationalised a year later by the first Socialist government, to be privatised again by the Gaullist administration in 1987.

Today, Hachette and Matra are linked through Mr Lagardère's private holding group, MMB, the ultimate owner of controlling stakes in both.

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Driving force behind a scheme to make the polluters pay

The plan by environment commissioner Carlo Ripa di Meana to introduce a carbon tax in order to combat harmful emissions is one of the most ambitious fiscal and environmental moves yet contemplated within the EC.
Page 16

MARKETS

STERLING
New York :
$1.782 (1.8005)
London:
$1.7765 (1.8055)
DM2.8725 (2.865)
FFr9.78 (9.7725)
SFr2.5525 (2.54)
Y222.75 (222.5)
£ index 90.5 (90.8)

GOLD
New York Comex Feb
$355 (354.7)
London:
$356.15 (354.65)

N SEA OIL (Argus)
Brent 15-day Mar
$18.3 (18.125)

Chief price changes yesterday: Page 17

DOLLAR
New York
DM1.6105 (1.58925)
FFr5.4855 (5.4195)
SFr1.43025 (1.412)
Y125.25 (123.35)
London:
DM1.6165 (1.5875)
FFr5.505 (5.4125)
SFr1.437 (1.407)
Y125.4 (123.3)
$ index 62.9 (62.1)
Tokyo close: Y124.57

US CLOSING RATES
Fed Funds: 4% ($3\frac{7}{8}$)
3-mo Treasury Bills:
3.93% (3.88)
Long Bond:
$103\frac{7}{32}$ ($103\frac{1}{2}$)
yield: 7.72% (7.692%)

STOCK INDICES
FT-SE 100: Yield 4.83
2,539.9 (+29.5)
FT-A All-Share:
1,213.90 (+1.1%)
FT-SE Eurotrack 100:
1,142.52 (+10.86)
FT-A World Index:
146.85 (-0.9)
New York close
DJ Ind. Av.
3,240.61 (+7.83)
S&P Comp
414.99 (-0.49)
Tokyo: Nikkei
21,007.11 (−65.04)

LONDON MONEY
3-month interbank:
$10\frac{11}{16}$% ($10\frac{11}{16}$%)
Liffe long gilt future:
Mar $97\frac{5}{32}$ (Mar $97\frac{5}{16}$)

Poland secures vital gas deal from Moscow

POLAND has won a new agreement with Russia which should guarantee gas supplies and get Polish heavy industry working again, an embassy official said yesterday, Reuter reports from Moscow.

Ms Agnes Niszesta, Polish embassy press attaché in Moscow, said yesterday Russia had agreed to provide Poland with 7.6bn cubic metres of natural gas in 1992, below a previous agreement for 8.1bn but above an earlier offer of 6.1bn.

"It is not as much as we wanted, but enough for our industry," she said. New gas supplies would start to arrive from February 1.

All of Poland's heavy industry and most of its chemical plants have been idle since last week because of gas shortages caused by lower Russian supplies and higher demand for energy as temperatures fell.

The 180 large-scale idle factories, which account for 70 per cent of Polish industrial gas consumption, were using just enough gas to prevent damage to machinery from freezing temperatures.

Household users of gas have not been affected by the cuts but their increased usage in the cold weather has depleted supplies to industry.

Steel mills and fertiliser plants have been the worst hit, although these sectors had already sharply lowered production over the past two years as a result of Poland's recession.

Ms Niszesta said the new deal was sealed in Moscow this week after an emergency meeting between Russian authorities and Mr Adam Glapinski, the Polish foreign trade minister.

The original deal, agreed in December and worth about $2.8bn (£1.5bn), guaranteed Poland supplies of 8.1bn cubic metres of natural gas and 5m tonnes of oil in 1992 in return for food, sulphur, coal and medicines.

But Russia cut gas deliveries on January 1, days after the barter deal had been agreed.

Poland is sensitive to any disruption of gas supplies from Russia as it depends entirely on a pipeline network inherited from the now-defunct Soviet-led Comecon trade organisation.

Gas supplies have been running at some 45 per cent below agreed levels since the beginning of the year. Gas imports reached 7bn cubic metres last year, with deliveries restricted to pipelines linking Poland with the Siberian gas fields.

Alternative supplies are impossible until new pipelines are built to the North Sea oil and gas fields. Talks with Statoil the Norwegian supplier are expected soon.

The position on oil is not quite as worrying as the Soviet Union accounts for just 57 per cent of Polish oil imports. However, deliveries from the Soviet Union ceased altogether last month after only 125,000 tonnes out of an agreed 5m tonnes for the year had been delivered.

Poland has alternative supplies of oil from Iran and Saudi Arabia as well as the North Sea, all of which can come be pumped through the Gdansk oil terminal on the Baltic. Last year Poland imported 11.5m tonnes of oil, with 6.5m coming from the former Soviet Union.

Delors seeks to calm budget fears

By Andrew Hill in Brussels

THE European Commission president, Mr Jacques Delors, said yesterday it would be difficult for Brussels to propose a hefty increase in the Community budget while the 12 member states were facing recessionary pressures and public spending constraints.

Outlining his priorities for 1992 – which could be Mr Delors' last year as Commission president – he stressed the importance of the budget measures package for the five-year period from 1993. The Commission is due to table proposals in two weeks, and these are expected to include increased assistance for the poorest members of the Community.

But the possibility that the EC's overall budget might be substantially increased from this year's level of Ecu66bn (£47bn) is already worrying wealthier member states such as Britain and Germany.

Mr Delors acknowledged that "[national] budgets will be tight", in part because member states are cutting public spending to meet the strict criteria for economic convergence imposed by the treaty on economic and monetary union. The need to rein in EC budget increases would also restrict Brussels' ability to respond to the growing number of aid demands coming from outside the Community, he added.

He also alluded to the possibility that the EC's research and training funds could be used to support European industry, a move which would arouse the suspicions of the EC's free-market members.

Mr Delors said: "The globalisation of the economy is continuing and we have two ways [of reacting] – adapting our research policy and putting our training resources at the disposal of companies."

Budget proposals being discussed by the Commission at the moment envisage an increase in the current statutory limit of 1.2 per cent of EC gross domestic product to between 1.35 and 1.45 per cent for 1993-97.

Customs brokers stop work at EC borders

By Andrew Hill in Brussels

CUSTOMS brokers, faced with redundancy when European Community frontier controls are abolished next year, yesterday attempted to focus attention on their case by refusing to clear freight through customs and tax formalities at many European border crossings.

Clecat, the brokers' trade association, claimed widespread support for the industrial action.

Belga, the Belgian news agency, reported severe hold-ups on the French and German borders with Belgium yesterday morning. There were also traffic jams at the frontier between Greece and Yugoslavia, where Greek lorry-drivers took the opportunity to protest against increased duties for the transit of freight through Hungary.

Clecat said no action had been taken in Denmark and Ireland, and active support was more limited in the UK and the Netherlands. Dutch brokers are to meet their government tomorrow.

Brokers are calling for aid from national governments and the European Commission to help them adapt to the internal market, expected to sweep away most of the paperwork now handled by the private companies.

Mrs Christiane Scrivener, the EC commissioner responsible for customs union, said yesterday the Commission, national and regional authorities were trying to find ways of retargeting EC funds to assist the 85,000 employees in the sector.

German chancellor calls for dismantling of tactical nuclear weapons

Kohl warns CIS over military build-up

By Quentin Peel in Bonn and Chrystia Freeland in Kiev

CHANCELLOR Helmut Kohl yesterday warned the former Soviet republics not to contemplate setting up new armed forces of a size which would disturb the security balance in Europe.

It was "senseless" for the west to provide humanitarian aid and help rebuild the economies of former Soviet republics if at the same time they were debating setting up forces "which would disturb the European balance, and tie up financial and technical resources which could be used more sensibly in other fields".

Mr Kohl was addressing the chiefs of the general staffs of all nine member states of the Western European Union (WEU), who gathered for the first time yesterday in Bonn as part of the process of building a stronger European defence identity.

His remarks coincided yesterday with a decision by Mr Leonid Kravchuk, Ukraine's president, to appoint three commanders loyal to the republic, in a further step towards creating a Ukrainian national army.

The new commanders, whose predecessors refused to swear an oath of obedience to Ukraine, will head the military districts situated in Ukraine.

The move is likely to cause consternation in Moscow where military chiefs are strongly against dismemberment of the Red Army.

Ukraine has been largely successful in its effort to form its own army, securing the loyalty of nearly 300,000 soldiers by the end of last week.

Mr Kohl yesterday called for the dismantling of tactical nuclear weapons in the Commonwealth of Independent States (CIS), successor to the Soviet Union, and gave his backing to moves to provide peaceful occupations for former Soviet nuclear scientists, to prevent them exporting their knowledge abroad.

The meeting in Bonn is a direct consequence of last month's European Community summit, and is intended to give "operative form" to the EC agreement on a common foreign and security policy, a German spokesman said.

● Reuter adds from Moscow: Fighting raged in different parts of the Caucasus yesterday, with dozens killed in one of the bloodiest battles in a longstanding territorial conflict between Armenia and Azerbaijan. A spokesman for the Armenian mission in Moscow said 45 Azeris and 15 Armenians had been killed over the weekend in the disputed enclave of Nagorno-Karabakh.

Rita (formerly Tass) news agency said fighting was continuing around Karin-Tak, where it had been reported that "the attackers left more than 60 dead on the battlefield". Twenty residents and defenders of the village had also been killed.

Elsewhere in the Caucasus, one person was killed and several wounded in the west Georgian town of Poti as government forces attacked loyalists of ousted Georgian President Zviad Gamsakhurdia, a local official said.

UN envoy talks peace to Serbs in Croatia

By Laura Silber in Belgrade

UNITED NATIONS special envoy Marrack Goulding met Serb leaders from Croatia yesterday in an attempt to persuade them to accept a UN peace plan which provides for the withdrawal of the federal army from Croatia after the deployment of a 10,000-strong multinational peacekeeping force.

Serb leaders in Croatia oppose the plan because they say it fails to offer guarantees for Croatia's 600,000 Serbs.

However, Mr Goulding, who is responsible for peacekeeping operations in the former Yugoslavia, said he was "encouraged" after meeting Mr Goran Hadzic, a leader from the self-proclaimed Serbian region in eastern Slavonia.

"It is possible to say that a step forward has been made... We all have to do everything we can to convince the leaders of Krajina [the self-proclaimed Serbian republic in south Croatia] that it is a... plan which offers the possibility of establishing peace in Yugoslavia," he said.

Mr Goulding was due to meet Krajina's president, Mr Milan Babic, in the course of his five-day visit. Mr Babic is staunchly opposed to the UN peace plan, which also envisages creation of UN protected areas in Serb-populated regions, as well as the disarming of Serb and Croat irregulars.

Serb insurgents, backed by the federal army, currently control a third of Croatia.

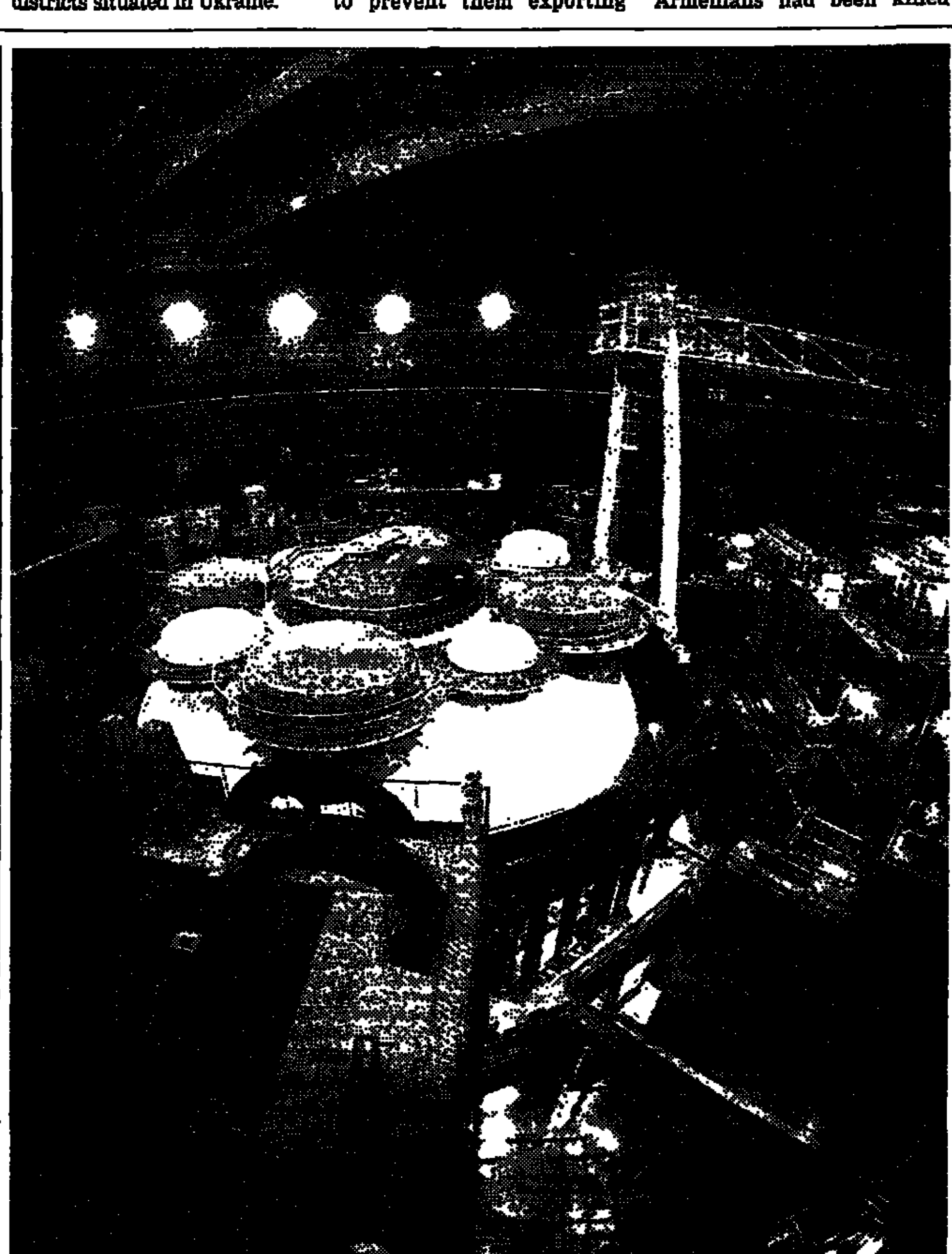
A western diplomat yesterday said: "Serbia [under Mr Milosevic] no longer has the finger-snapping authority over Babic. I am a little more optimistic about the prospects for the UN plan."

Mr Milosevic says he supports the UN plan but he appears to lack control over Serb leaders from Croatia. And in a sign of another shift in Serbian policy, Mr Ratko Markovic, a legal adviser to the republic's government, called for Serbia to "reactivate" its independent status.

Politika, a Belgrade daily and mouthpiece for the Serbian government, quoted Mr Markovic as saying: "Serbia must elaborate its concept of an independent state and reaffirm its recognition which exists since 1878."

Mr Milosevic has insisted previously that Yugoslavia still exists despite the recognition of Croatia and Slovenia. Serbia did not apply for independent status or seek recognition.

Mr Goulding is due to hold talks in Zagreb, the capital of Croatia, where the truce continues generally to hold.



Ashley Ashwood

Super Phenix reactor at Crey-Malville, part of France's extensive nuclear capacity

French nuclear body wants compensation over merger

By William Dawkins in Paris

FRANCE'S atomic energy commission (CEA) is pressing the government to compensate it for the income it expects to lose under the planned merger of the state's civil electronics and nuclear interests.

The new group is unlikely to be making substantial profits for several years given the financial needs of the electronics activities, in the view of Mr Philippe Rouvillois, general administrator of the CEA, which has spearheaded France's ambitious nuclear energy programme.

This is the first official recognition of the financial challenges facing the new company, to be called Thomson-CEA-Industries (TCI), plans for which the government revealed last month. Mr Rouvillois told a French news agency that he expects the commission to lose around FFr400m (£41m) a year from the merger, in the form of dividends now paid to the CEA from its industrial unit's nuclear plant and fuel operations, which would be moved into TCI.

In exchange, the CEA would have a 30-35 per cent stake in TCI, which would clearly be unable to yield substantial dividends while saddled with the losses of Thomson Consumer Electronics.

The latter reported a FFr2.7bn net loss in 1990.

This stake would incidentally give the CEA a blocking minority in TCI. That is intended to give it power to veto any attempt break up TCI or fully privatise it.

This comes at a time when the CEA's budget is already under pressure. It expects to receive FFr6.2bn from the state this year to fund its huge civil research programmes, 25 per cent down over five years, say officials. The state budget covers 65 per cent of the CEA's needs; the rest comes from commercial revenues.

Despite his financial anxieties, Mr Rouvillois stressed that he was confident of the CEA's future as an essential body in nuclear research and policy advice.

Socialists suffer in French by-elections

By Ian Davidson in Paris

FRANCE'S governing Socialist party took a hammering over the weekend in six by-elections which also saw a sharp increase in the vote for the extreme right-wing National Front.

The results of the by-elections (one national and five local) indicate that the Socialists are in deep trouble despite a recent small reduction in the record unpopularity of President François Mitterrand and his prime minister, Mrs Edith Cresson. The party also faces the prospect of serious losses in nationwide regional and local elections in March.

The National Front, by contrast, appears likely to make significant strides in those elections, since in each of the weekend's by-elections its candidate won between 13 and 16 per cent of the vote. This represents a large advance over the 9.6 per cent gained nationally in the 1988 general election. Moreover the consistency of these latest results suggests that the Front is becoming increasingly established throughout France.

The party's weekend showing is still well short of the 20 per cent which the Front claims is its national target for the March elections. But few observers would now dismiss this target as absurd, and in some regions with large immigrant communities, like Marseilles, it could be quite plausible.

The pattern was most striking in the first round of voting for the by-election to the National Assembly seat near Lille in northern France. Support for the Socialist candidate collapsed to under 13 per cent, compared with more than 31 per cent in 1988; the National Front surged to second place with 15.7 per cent, compared with 10.4 per cent in 1988. The Front candidate thus qualified for the run-off in the second round against a centrist, who won nearly 47 per cent.

In the first round of voting in the local election at Bischwiller near Strasbourg, two candidates – from the National Front and a dissident extreme right-wing party – shared more than 22 per cent of the vote. The Socialist candidate came fifth.

The Socialist party was forced into fourth place at Quesnoy-sur-Deule in the Nord, behind the National Front and the Greens, and it lost the cantons of Lons-le-Saunier in the Jura, and of La Verpillère in the Isère.

● French unemployment stabilised at 9.8 per cent last month, holding out hopes that the government is starting to bring its most serious economic problem under control, adds William Dawkins.

The number out of work rose slightly by 0.05 per cent month-on-month, to 2.82m, representing an 11.7 per cent rise in those seeking a job over the past year. This was a "positive result" said Mrs Martine Aubry, labour minister.

However, the outlook for industry continues to be dull, according to a poll of senior executives published yesterday by Insée, the state statistics body. In the six-monthly poll 17 per cent believed their profits were poor or unsatisfactory at the end of last year.

Dublin budget may boost spending by 7.7%

By Tim Coone in Dublin

THE Irish government is aiming for an exchequer borrowing requirement of I£546m (£509m) or around 2.2 per cent of GNP, in its 1992 budget due to be announced tomorrow. This would be slightly up on 2.1 per cent of GNP in 1991.

Pre-budget estimates of receipts and expenditure, published by the Finance Ministry yesterday show a projected increase of 7.7 per cent in total government spending to I£10.6bn, with revenues rising by 4.7 per cent to I£9.9bn.

Public pay and pensions is expected to account for I£3.72bn of the spending total, taking into account a new pay package agreed with public sector unions earlier this month.

Under existing tax provisions and estimates, income tax revenue is projected to rise by 9.6 per cent to I£3.54bn, while corporation tax revenue is targeted to rise by 13.6 per cent to I£673m. A 7 per cent increase in VAT revenues to I£2.2bn is anticipated.

The government has come under increasing pressure from trade union and business sectors to launch sweeping tax reforms in the 1992 budget. Earlier this month, the Industrial Policy Review Group (IPRG), an advisory body to the Department of Industry, said tax reform was "a matter of urgency".

The report recommended the phased reduction or elimination of a wide range of tax breaks and incentives, in order to bring down personal taxation rates among the highest in the EC.

Mr Bertie Ahern, the finance minister, said last month there was little prospect of any tax cuts in this budget, though his own Fianna Fail party is recommending a reduction in the lower income tax rate from 29 to 28 per cent, and a reduction in the top rate from 52 to 50 per cent.

The party is strongly opposed to any reduction in mortage interest relief.

Mr Des O'Malley, the industry minister who set up the IPRG last year, is strongly in favour of tax reform. As the leader of the Progressive Democrat party, the junior partner in the coalition government, he last week issued an ultimatum to Mr Charles Haughey, the prime minister, to resign or lose his party's support, because of a series of controversies that have undermined the government. Mr Haughey is expected to announce his intention to resign this Thursday.

Mr Ahern, who became finance minister last November, is a leading contender for the succession to Mr Haughey, and the public's reception of his first budget could have an important influence on his chances of assuming the leadership.

Airbus crash prompts strike call by pilots

PILOTS at the French domestic airline Air Inter have called a 24-hour strike for Thursday, accusing the government of jumping to conclusions about an Airbus crash in eastern France which killed 87 people last week, Reuter reports.

The USPNT pilots' union said the Transport Ministry had "exonerated" the ultra-modern Airbus A320 and, by implication, blamed the crash on pilot error. A preliminary report on the crash, the third involving an A320 since the airliner entered service four years ago, is not due for a month. The airliner is one of the world's fastest selling.

"There have been too many accidents with this aircraft," the union said.

Growth in condom sales expected to slow

By Paul Abrahams

CONDOM sales in Europe should increase 61 per cent from $492m (£271.8m) in 1990 to $616m over the next five years, according to a report* published by Frost & Sullivan, the market research company.

However, the rapid market growth during the late 1980s, following the first realisation that heterosexuals were at risk from HIV, will not continue, said the report.

The largest market in Europe for condoms remains Italy, with annual sales of $193m. The Italian market is still growing rapidly, increasing 12 per cent during 1990, mainly because of low usage of the pill.

West Germany is the second largest European market, where sales reached $111m in 1990. Unification should increase the condom market since they were not officially available in East Germany.

In the UK, condoms have overtaken the pill as the most popular form of contraception for the first time since the 1960s. Condom sales reached $67m in 1990.

In Spain, more than half of women between 15 and 45 do not use any form of contraceptive. The pill remains the most popular form of birth control.

The French condom market worth $45m, is poorly developed, according to the report.

**The European market for OTC external medication, OTC contraceptives and home diagnostics, Frost & Sullivan, 071 730 3343.*

Commission opposes move to trade airport landing slots

By Daniel Green

AIRLINES SHOULD be allowed to buy and sell the rights to land at European airports, according to an advisory report prepared for the European Commission. Its suggestions conflict with the views of the Commission, which favours a more interventionist approach to prevent large airlines dominating airport landing slots.

The way in which landing slots are allocated is a central part of proposals for EC airline liberalisation. It is of pressing importance because several European airports, including London's Heathrow, Frankfurt and Milan, cannot satisfy the demands of airlines wanting to land there.

Such under-capacity shuts out newcomers to the industry. In the interests of competition, the UK government last year forced the transfer of slots from British Airways to a much smaller competitor, Virgin Atlantic, on the lucrative London-to-Tokyo route.

So-called slot trading, as recommended in the report, could replace a system of allocations based on scheduling committees and biannual meetings of international carriers under the auspices of the International Air Transport Association (Iata).

The report argues that slot trading at four of the busiest airports in the US "has had a beneficial effect in securing a more efficient use of limited airport capacity". It quotes airlines as saying that the system had helped them "fine tune" their schedules, but adds that "slot trading needs to be part of a strong pro-competition policy".

It recommends that independent brokers should be set up to trade slots. "This would prevent the manipulation of the slots in an anti-competitive way," said Mr David Starkie, author of the report, yesterday. "An airline would not know who it was selling to and so would not be able to stop a sale to a particular operator."

His views have the support, in principle, of British Airways. "The current procedure should be amended to allow airlines to buy and sell existing ... slots," says the airline.

However Mr Bruno Julien of the EC's Transport Commission said: "We do not favour such a system. The strongest would always be able to get the best slots. This would not help liberalisation of the market."

The EC wants, instead, to encourage airports to increase slot capacity and proposes that under-used slots are re-allocated to other airlines every six months.

It is not alone in its scepticism about a free market in slots. US airport operators protest that slot trading might divert attention from other ways of dealing with under-capacity such as more efficient air traffic control.

The cost of buying slots might also be passed on to passengers through higher fares.

Proponents of a free market are also likely to face opposition from EC member states and companies. Last month, the UK parliamentary transport committee concluded that existing mechanisms were "a workable, if imperfect method of allocating slots". It said that changes would be evolutionary, suggesting that unused slots could be "returned to the scheduling committee for reallocation".

"The EC proposals have not yet been fully debated," conceded the Transport Commission. Advocates for both sides are due to get their chance when the matter comes up for consideration by the Council of Ministers. This should happen before the end of the Portuguese presidency of the Commission in July, the Transport Commission said.

**Slot Trading at United States Airports, a report for the Director General for Transport of the Commission of the European Communities. Putnam Hayes and Bartlett Ltd. 1992.*

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WORLD TRADE NEWS

BP could still share in east German refinery

By Leslie Colitt in Berlin

BRITISH Petroleum, recently beaten in the race for east Germany's lucrative Minol oil company and the Leuna petrochemicals refinery by Elf-Aquitaine of France, may yet share in the Leuna site near Merseburg.

Elf won the preliminary DM5.3bn (£1.91bn) contract to take over Minol and build a new refinery at Leuna in a consortium with Thyssen and SB-Kauf. But the Treuhand agency, owning virtually all the east German chemicals industry, wants to privatise the chemicals side of Leuna, losing nearly DM200m a year.

Mr Paul Achleitner, an executive director of Goldman Sachs, the investment bank advising Treuhand on the sale, said chemical companies pledged to invest at Leuna could join the Elf-led consortium and become joint owners of the new refinery.

Treuhand is negotiating with several companies, including ENI of Italy and OMV of Austria, and hopes to finalise a package by next June when the Elf contract is to be signed. BP Chemicals had also sounded out interest in building an acetic acid plant at Leuna, Treuhand said.

"BP could build it in a consortium or alone, we don't care," Mr Klaus Schucht, in charge of the chemical industry at Treuhand, declared. Listing why Elf had clinched the Minol-Leuna refinery deal, he said that unlike BP, it had guaranteed that the highly-profitable Minol service station network would not be broken up. Elf aimed to build a new refinery at Leuna while BP wanted to refurbish the old one. The company, partly owned by the French Government, had a "strategic" interest in moving eastwards while BP was more concerned with "short-term returns", Mr Schucht claimed.

But BP still has a say in the future of the Leuna refinery, stemming from the joint venture it set up in 1990 with Leuna and Intrac which markets 80 per cent of the refinery's petrol and diesel oil to Minol. It also invested DM60m in a filling terminal at Leuna for oil tank trucks.

Under a year ago, Leuna and the two other chemicals producers, Bitterfeld and Buna, were seen as so obsolescent they could only be closed. That would have meant the end of chemicals output in east Germany. In 1989, 130,000 people were still employed as chemical workers in the Halle-Merseburg area. Aware that costs of "de-industrialising" the region would exceed those of reviving it, Bonn backed a plan to rescue the chemicals centre which will cost Treuhand up to DM10bn in infrastructure investments.

Mr Schucht expected medium-sized German companies would locate at Bitterfeld. Albright & Wilson of the UK is negotiating to produce plant protection agents on part of the site. He hoped enough companies would be attracted over the next five years for the old loss-making Bitterfeld AG to be greatly reduced.

VW to double capacity at Shanghai factory

By Kevin Done, Motor Industry Correspondent

VOLKSWAGEN, the German car maker, is planning to more than double the capacity of its joint-venture assembly plant in Shanghai to 150,000 cars a year by 1995.

VW said yesterday that Shanghai Volkswagen Automotive, in which it holds a 50 per cent stake, would invest around DM1bn (£300m) over the next four years to increase capacity and widen its product range.

Output of VW Santana saloon cars at the plant at Anting near Shanghai jumped last year to 35,000, from 18,500 in 1990. The company is planning to increase output in 1992 to 60,000 cars, the full capacity of the existing plant.

The other shareholders in Shanghai Volkswagen Automotive are Shanghai Automobile Industries Corporation (25 per cent), the Shanghai branch of the Bank of China (15 per cent) and China International Automobile Industries Corporation (10 per cent).

At the beginning of January, Shanghai Volkswagen Automotive took over the out-dated Shanghai Car Plant from Shanghai Automobile Industries, and this facility will be modernised to provide the extra capacity.

The equity capital of Shanghai Volkswagen Automotive is to be increased in stages in coming years to DM350m from DM105m at present. VW said the company had now reached a local content level of almost 70 per cent. Shanghai Volkswagen has a workforce of 3,800 and has invested DM500m between 1985 and 1990. Cumulative output will pass 100,000 this week.

Italians to build $150m ethylene plant in China

By Haig Simonian in Milan

HARD on the heels of Chinese Premier Li Peng's visit to Rome this week, Technimont, the plant building subsidiary of Italy's Montedison chemicals group, has won an $150m (£82.8m) order for a new ethylene plant in Canton.

The contract, signed yesterday with three Chinese state entities, envisages that the new plant, which will have an output of 130,000 tonnes of ethylene a year, will begin production in 1995.

Production will be used to supply other facilities on the same site, to produce a variety of petrochemicals products including polyethylene and polypropylene.

China's current Five-Year Plan allows for building of 14 petrochemicals and 10 fertiliser facilities and has sparked considerable competition among specialist contracting groups.

The latest deal, won against French and Japanese competition, consolidates Technimont's position in China, where it has now either built or won orders for 14 petrochemicals and fertiliser facilities worth around £L720bn (£333m). The latest deal takes the company's order book to around L1,500bn.

Some 15 per cent of the value of the order has been made as a cash down-payment, with the balance coming in the form of a 10-year export credit, dating from the start of production, and guaranteed by SACE, the Italian state agency which provides medium and long-term risk cover.

GEC Alsthom shares in $770m Iran power order

By Andrew Baxter

AN international consortium including Howden Group Canada, part of the Scottish engineering company, and GEC Alsthom, the Anglo-French power engineering group, has won a $770m (£425.4m) turnkey contract to build a 1,100MW power station in western Iran.

The contract is the first important project for GEC Alsthom in Iran since the end of the Iran/Iraq war, and one of the biggest announced in the Middle East since the end of the Gulf War. Over the past year, Iran has been reactivating several projects in thermal and hydroelectric power generation.

GEC Alsthom said it had won "the major part" of the contract, while Howden said its share was $121m. Other members of the so-called Ontario Group consortium include Babcock & Wilcox of Canada and Italy's Nuova Cimimontubi.

The project, at Arak, is for Tavanir, the Iranian electric utility. Construction will begin later this year and the new station is due to be fully operational by 1996.

GEC Alsthom and Howden will be responsible for design and supply of the turbine island, which includes two 550MW steam turbines and generators, air-cooled condensers and a high voltage sub-station.

The steam turbines are specially designed to meet the requirements of the large air-cooled condensers, which are necessary because of scarce water supplies.

Delivery of the Howden components will start in the second half of 1993 and take two years to complete. The GEC Alsthom equipment will be made at factories in Rugby and Stafford, and in Belfort, France.

Financing and insurance for the project is to come from the export credit agencies of the consortium's member-countries.

'Pots and kettles' clash in auto war

Kevin Done analyses sales of Japan-derived vehicles in America

WHILE American car makers rail against Japan's $31bn (£17.1bn) automotive trade surplus with the US, the Big Three themselves, General Motors, Ford and Chrysler, now account for nearly a sixth of all the Japanese-derived cars sold in the US.

Japanese makers led by Honda, Toyota and Nissan boosted their direct share of US new car sales to 30.2 per cent in 1991 from 27.8 per cent a year earlier. But Japanese producers' overall share of the US new car market is significantly higher, thanks to the efforts of the US car makers.

GM, Ford and Chrysler all sell under their own badges Japanese cars – both direct imports from Japan and cars assembled by Japanese plants in the US, the so-called transplants – despite their increasing opposition to the level of Japanese car sales in the US.

The Big Three's sales of Japanese-derived cars in the US totalled 473,068 last year and accounted for 16 per cent of all Japanese-related car sales in America. Including both the Japanese makers' own car sales and Japanese-derived cars sold by GM, Ford and Chrysler, the Japanese auto makers captured a record 36 per cent of the US new car market last year, against 33.5 per cent in 1990. The US car makers' marketing efforts for the Japanese producers include:

- General Motors has established a special franchise, called Geo, as part of its Chevrolet division, for the sale of a range of Japanese-derived products. Geo car sales totalled 265,992 last year. The Geo Prizm (a re-badged Toyota Corolla) is produced in the US by NUMMI, the Toyota/GM joint venture; the Geo Metro (a re-badged Suzuki Swift) by CAMI, the Suzuki/GM joint venture in Canada (it is also imported from Japan). The Isuzu Impulse coupé is imported from Japan and sold as the Geo Storm.
- Chrysler sells several Mitsubishi Motors models under its Dodge, Plymouth and Eagle badges. Sales last year totalled 130,781. Models such as the Dodge Stealth (a re-badged Mitsubishi 3000 GT) are imported from Japan, while others like the Plymouth Laser/Eagle Talon coupé (the Mitsubishi Eclipse) are built in the US at Mitsubishi Motors' plant in Bloomington-Normal, Illinois, a wholly-owned Mitsubishi plant (previously a joint venture with Chrysler).
- Ford sells the Ford Probe, a version of the Mazda MX-6 coupé, produced by Mazda at its Flat Rock, Michigan, plant. Ford Probe sales totalled 76,295 in the US last year.

Mr Richard Recchia, executive vice-president of Mitsubishi Motor Sales of America, says the US auto companies are backing legislation that would further restrict Japanese vehicle sales in the US, while they "not only enjoy the benefit of selling imported vehicles, but receive vehicles from the so-called transplant Japanese manufacturing operations. "This has all the earmarks of the pot calling the kettle black." The US car makers "view an imported car or truck as bad, unless it's a 'captive import' sold by one of the Big Three. Then it's good."

MR Lee Iacocca, Chrysler chairman and leader of the US auto industry's campaign to cut Japan's trade surplus, ignores the Big Three's own sales of Japanese cars in his attacks on Japan. Japan has the US auto industry "targeted and they're not about to take us out of their gunsights," he said on his return this month from Tokyo. "We ship them food and chemicals and raw materials, just like a colony. And they ship us value-added cars and machine tools and electronics, just like a mother-country."

While GM is being forced to cut its domestic operations drastically, the Japanese presence in North America is still expanding. After the wave of investment in the 1980s by Japanese vehicle makers in assembly plants in North America (eight in the US and three in Canada), Japanese producers accounted for 24.9 per cent of total US car output last year, increasing their share from 21.7 per cent in 1990.

Car output by the Japanese transplants in the US (including NUMMI) increased by 1.1 per cent to 1.33m, despite the recession in US new car sales, and in contrast to the 11.7 per cent drop in overall US car output to 5.36m. Japanese car production capacity in the US is being further expanded with Toyota spending $800m to almost double its Georgetown, Kentucky, plant to 420,000 cars a year by the end of 1993 (220,000 at present), and Nissan spending $490m virtually to double its car and light truck capacity at its Smyrna, Tennessee, plant to 440,000 units a year by mid-1992. The transplants' total car and light truck production capacity in North America is planned to reach 2.7m vehicles a year by 1993/94 following a $7.5bn investment.

Mr Bob McCurry, executive vice-president of Toyota Motor Sales USA, says that, with the build-up of their assembly plants in North America, Japanese car makers have achieved "one of the largest and quickest industrial transfers" in modern times.

US AUTO INDUSTRY
January-December 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 91	Share (%) Jan-Dec 90
CAR SALES	8,176,000	−12.0	100.0	100.0
Imports	2,104,000	−14.2	25.7	26.4
Japanese makes	2,472,000	−4.4	30.2	27.8
-of which US-built	1,124,000	+6.0	13.8	11.4
European makes	339,000	−26.0	4.1	4.9
Japanese derived*	2,945,000	−5.3	36.0	33.5
CAR PRODUCTION	5,365,000	−11.7	100.0	100.0
-of which Japanese US-built†	1,334,000	+1.1	24.9	21.7
CAR SALES BY MANUFACTURER:				
General Motors	2,909,000	−12.1	35.6	35.6
Ford	1,636,000	−15.8	20.0	20.9
Chrysler	703,000	−18.4	8.6	9.3
Honda/Acura	803,000	−6.0	9.8	9.2
Toyota/Lexus	742,000	−4.8	9.1	8.4
Nissan/Infiniti	413,000	−7.4	5.0	4.8
Mazda	222,000	−1.8	2.7	2.4
Mitsubishi	162,000	+8.3	2.0	1.6
Hyundai	118,000	−14.4	1.4	1.5
Volkswagen	92,000	−29.3	1.1	1.4
Volvo	68,000	−24.7	0.8	1.0
Mercedes-Benz	59,000	−24.9	0.7	0.8
BMW	53,000	−16.2	0.7	0.7
Saab	26,000	−1.1	0.3	0.3
Audi	12,000	−41.8	0.2	0.2
Jaguar	9,376	−49.9	0.1	0.2
Porsche	4,388	−52.0	0.1	0.1
Alfa Romeo	3,478	−0.1	0.0	0.0
Yugo	3,092	−51.4	0.0	0.1
LIGHT TRUCK SALES	4,159,000	−9.4	100.0	100.0
Imports	713,000	−5.6	17.1	16.4
TOTAL CAR&LIGHT TRUCK SALES	12,335,000	−11.2	100.0	100.0
General Motors	4,320,000	−12.5	35.0	35.5
Ford	2,867,000	−13.6	23.2	23.9
Chrysler	1,508,000	−11.2	12.2	12.2
Japanese makes	3,176,000	−4.6	25.7	24.0
Toyota/Lexus	1,010,000	−4.5	8.2	7.6
NORTH AMERICAN CAR & TRUCK PRODUCTION	10,722,000	−8.9	100.0	100.0
-of which Japanese Nth.Am.built†	1,858,000	+7.2	17.3	14.7

*Includes Japanese makes plus Japanese derived cars sold under GM, Ford & Chrysler badges, imports and US-built.
†Includes US/Japanese joint ventures managed by Japanese producers.
Source : Automotive News

Asean leaders fear effects of Soviet collapse

By Victor Mallet in Singapore

SOUTH-EAST Asian leaders, meeting at their first summit since 1987, yesterday welcomed the end of the Cold War but expressed foreboding about the probable economic consequences of the Soviet Union's collapse and remained divided on how to ensure regional security.

Mr Goh Chok Tong, Singapore's prime minister, urged the summit of the Association of South-east Asian Nations (Asean) to approve a proposed Asean free trade area and so enable the dynamic economies of its six member countries to compete with central Europe for investment as the European Community expands.

Asean might have a population of more than 300m, he said, but its combined gross national product amounted to only about $310bn (£170bn), compared with more than $4,000bn for the EC and about $6,000bn for the US, Canada and Mexico. The EC population's purchasing power was 15 times and North America's 20 times that of Asean.

"Unless Asean can match the other regions in attractiveness, both as a base for investments as well as a market for their products, investments by multinational companies are likely to flow away from our part of the world to the single European market and Nafta [the North American Free Trade Area]," he said.

A common theme running through the speeches of Mr Goh and the other five leaders – from Indonesia, Malaysia, Thailand, the Philippines and Brunei – was a fear of protectionism in Asean's main export markets and of the emergence of potentially protectionist regional trade blocs in America and Europe.

Although the Asean leaders want to establish a free trade area within 15 years, some of them also emphasised the need to continue nurturing ties with their main trading partners outside south-east Asia.

Mr Anand Panyarachun, the Thai prime minister, warned that proposed intra-Asean tariff reductions would not be easy. Asean, he said, would have to avoid the red tape and lack of determination which undermined previous attempts.

"In the short run, it could result in initial losses of government revenue," he said. "Inefficient sectors would become vulnerable to competition."

In a speech characteristically critical of the west, Dr Mahathir Mohammed, prime minister of Malaysia, urged industrialised countries to help fight tropical forest fires and to combat piracy in the Straits of Malacca instead of attacking the environmental policies of developing nations.

He said: "More forests can be saved by preventing forest fires or putting them out quickly than by boycotting the export of tropical timber or advocating that forest dwellers remain in the forest, eating monkeys and suffering from all kinds of tropical diseases."

The Asean leaders welcomed the idea of Vietnam and Laos signing the regional Treaty of Amity and Co-operation, but they cannot agree on whether the US and the other permanent members of the UN Security Council should play a prominent security role in the area or be invited to sign the treaty.

Democracy discomforts Hong Kong business

Conservatives fear Beijing's anger will hurt their interests in the colony. Simon Holberton reports

THE emergence of a limited degree of democracy in Hong Kong is causing unease among some of the colony's conservative politicians, many of whom are finding it difficult to adjust to the changed political environment brought about by democratic elections.

Since September's elections, the government in Hong Kong has changed from one where the wishes of the colonial authorities were enacted into law by a relatively compliant legislature, to one where virtually all aspects of the government's legislative programme are vigorously debated, and, in some cases, changed.

This has caused alarm in Beijing, which has no interest in seeing an alternative centre of power establishing itself before 1997. It has made plain its desire to inherit an "executive-led" government from Britain's colonial administration. The change in political landscape is also worrying conservatives who want to take the line of least resistance with China.

But these concerns cut little ice with Hong Kong's democratically-elected – mainly the United Democrats – politicians who can fairly claim to represent the people. They want greater democracy in Hong Kong before the colony is handed over to Beijing, and want relations between Hong Kong and China to be rooted in the 1984 Sino-British Joint Declaration, rather than the Basic Law.

And, according to foreign observers of the colony's politics, the United Democrats' views command popular support. Explaining their appeal, one diplomat noted that there was a strong current of support for self-determination in the colony. "There is

Martin Lee: pyrrhic victory

also support for a degree of confrontation with China; a desire to demonstrate independence. But it is not anti-Chinese or anti-British," he said.

The elections in September were a watershed in Hong Kong. They allowed voters to elect candidates to 18 of the 60 seats in the Legislative Council (Legco). This was the first time the people of the colony had been given the opportunity to vote for political representatives.

The United Democrats, led by the mild-mannered yet outspoken Mr Martin Lee, who in European terms would be called a Christian Democrat, won 12 of the 18 democratically contested seats, while others of equally liberal persuasion won five of the remaining six.

A further 21 of the 60 seats were elected indirectly by so-called functional constituencies – groupings which represent business, finance, the law and the labour movement, among others. Of the rest, 18 members were appointed by Sir David Wilson, the governor, with the remaining three occupied ex officio by senior government officials.

Legco's powers are substantial. It can amend and vote out legislation proposed by the colonial government. It cannot propose spending bills, but it can exercise a line-by-line veto over any of the government's spending plans. Last year it forced the then financial secretary, Sir Piers Jacobs, to back down from his budget proposal to increase tobacco taxes by 200 per cent.

Legco has already exhibited its new democratic muscle by voting to condemn a UK-China agreement on the composition of Hong Kong's Court of Final Appeal – a vote which commanded cross-party support – and last week by strongly attacking the British government for the delay in appointing a new governor.

But the new-found robustness and content of the debates leads conservative local politicians to worry about upsetting delicate relations with China, which will assume sovereignty of the territory – albeit as a special administrative region – in 1997.

Mr Stephen Cheong, a Legco member since 1980 who now represents the Federation of Hong Kong Industries (FHKI) as its functional member, went so far as to express fears that anarchy could develop in Hong Kong, during a speech at a conference to promote the territory's future in London.

Mr Cheong was roundly criticised for this by the local media. The Chinese-language Economic Journal suggested that the FHKI reconsider his qualification to represent it. "Democratic changes in Hong Kong are now a matter of fact," the paper said. "The [United] Democrats' performance has been reasonable and Hong Kong people should try to get used to living with democracy."

Yet, intemperate as Mr Cheong's remarks were, they do strike a chord with the political supporters of Hong Kong's business and financial establishment. These people stand for stability, a reasonable relationship with China, no hurry on democracy, and keeping the economic environment favourable for business. In short: the maintenance of the status quo as it existed before September's elections.

In party political terms they call themselves the Co-operative Resources Centre (CRC). It numbers more than 24 adherents in Legco and has four members on the Executive Council – the governor's cabinet. All members of the CRC were either appointed by the colonial government or submitted themselves to a limited plebiscite as a functional constituency member of Legco. Not one democratically-elected politician has joined their group.

Their concerns are derided by the democratically-elected politicians, who see them as representatives of the *ancien régime*. They accuse them of kowtowing to China either in the hope of preferment after 1997, or in the misguided hope that by acquiescing now Hong Kong will be spared later.

But they do agree that the central issue is Hong Kong's relations with China and an appropriate modus vivendi for them. The United Democrats' position, however, places them on a collision course with the colonial government, Westminster and Beijing. They want nothing less than the amendment of the Basic Law – which sets out how Hong Kong will be governed after 1997 – and more people democratically elected in future plebiscites.

China has said the Basic Law can not be amended. Mr Douglas Hurd, the British foreign secretary, has said he will raise the matter with Beijing, although he held out little hope for success. Yet politicians such as Mr Lee will not let go.

"What the people of Hong Kong want are politicians who dare to speak the truth particularly when China and, to a lesser extent the Hong Kong government, is not doing the right thing by Hong Kong," he says. "Many people are prepared to criticise the Hong Kong government. But where can you find people to criticise China? That's why we did so well in the elections."

Yet as the year progresses Mr Lee expects the temperature of politics in Britain's last important colony to rise. Given the representation in Legco the government will not lose a vote, the conservatives will see to that. But that is a mixed blessing to the colonial and British governments.

"Every time we fight and lose it is a pyrrhic victory for the government," says Mr Lee. "The question is how many pyrrhic victories can they afford to win. Soon or later the people will become disillusioned."

He may have a point.

Private banks start to open in Taiwan

By Luisetta Mudie in Taipei

PRIVATELY owned banks have begun opening in Taiwan this month, ending a 40-year monopoly by government-run institutions and setting the stage for intense competition.

Grand Commercial Bank and Dah An Commercial Bank have begun operating, and 13 more are due to to follow soon under licences issued last May. The new banks have a minimum capitalisation of $400m (£221m) and are backed by some of the biggest names in Taiwanese industry.

Among shareholders are Lucky Cement, Far Eastern Department Stores, Asia Cement, Evergreen Shipping, Formosa Plastics, China Rebar, Pacific Enterprises, Tainan Spinning, President Business Group.

The change is part of the ruling Nationalist (KMT) government's programme of financial liberalisation, which in 1991 included facilitation of trading in bonds and foreign exchange, and allowed trust companies to apply to convert to banks.

With their targeting of medium and small businesses, the new banks will also play a role as the first alternative to Taiwan's underground financial markets. The government banks' unwillingness to lend to any but fully collateralised concerns has meant that underground banks have flourished.

Conservatism about lending stems from the government's tight monetary policy to avoid the mistakes which led to hyper-inflation when they were in power on the mainland over 40 years ago.

Mr Peter Kurz, of Baring Securities, said Taiwan's large supply of capital and strong manufacturing base gave it the potential to be a key financial power worldwide, although it lacked the necessary financial services as yet.

Philippines former defence minister Fidel Ramos (left) and supporters yesterday celebrate forming a separate party to fight the presidential elections in May. Mr Ramos, who has the backing of current President Corazon Aquino, resigned from the country's largest party, the Struggle of the Democratic Filipino, last month, AP reports from Manila.

A total of 19 candidates, nine of them serious, have expressed their intention to run in the election, including President Ferdinand Marcos's widow, Imelda.

S African miners scrap profit-linked pay deal

THE South African National Union of Mineworkers' (NUM) decision to scrap a profit- and productivity-linked wage deal was the first shot across the bows of mining houses in the run up to annual wage talks, analysts said, Reuter reports from Johannesburg.

"It might well be the start of a push for a differently structured arrangement for 1992-93, and one at better terms," Mr Rob Gillan, analyst at Frankel Max Pollak Vinderine, said.

However, if the NUM's new demands were unrealistic, mine employers, squeezed by weak world prices for gold, would be forced to shed more workers, he said.

The NUM's outgoing acting general secretary, Mr Marcel Golding, told a news conference at the weekend that the union would pull out of the agreement at the June wage talks because of members' dissatisfaction with the bonus system and the way most mine employers were applying it.

The mainly black NUM and the Chamber of Mines, which links the big mining houses, signed an historic performance bonus agreement last year, whereby a minimum annual wage increase is supplemented if the gold price reaches a trigger level.

The gold price did not trigger the bonus in the first half of the July-June, 1991-92 year covered by the agreement.

But, in terms of cost containment and productivity schemes, some mines have paid out bonuses of up to 12 per cent, on top of a minimum 4 per cent wage increase for the year, analysts said.

No bonuses have been paid at some of the marginal mines.

The NUM was being denied information to enable it to monitor the system, Mr Golding said, adding that there was no union participation in setting targets, nor in the uneven distribution of bonuses, which managers used as a divisive tactic.

De Klerk comes under fire over death squads

By Patti Waldmeir in Cape Town

MR Cyril Ramaphosa, the secretary general of the African National Congress (ANC), yesterday criticised Mr F W de Klerk, the South African president, for failing to act against security force death squads which have targeted anti-apartheid activists.

Former members of the South African Defence Force and the police have alleged that security force members have been involved in hundreds of deaths of activists in recent years. "We have reason to believe he [Mr de Klerk] knows and has known all along... and has done nothing to stop it," Mr Ramaphosa told journalists in Cape Town.

Mr Roelf Meyer, the defence minister, denied the claims and urged Mr Ramaphosa to present evidence to a government commission of inquiry.

Mr Ramaphosa took a more conciliatory line on key political issues such as interim government. He indicated that the ANC was willing to negotiate with the government over the issue of a proposed white referendum to approve constitutional changes which would end white domination.

Previously ANC leaders have ruled out the referendum, which would give whites a veto over political change. He also appeared willing to negotiate with Pretoria over the issue of electing blacks to an interim parliament.

NEWS IN BRIEF

Shamir likely to avert vote of no-confidence

MR Yitzhak Shamir, the Israeli prime minister, yesterday secured sufficient pledges of parliamentary support to avert the embarrassment of a vote of no confidence in his minority government and allow him to keep control over moves towards an early general election, Hugh Carnegy writes from Jerusalem.

A no-confidence motion tabled by the main opposition Labour party which, if passed, would have obliged Mr Shamir to resign, appeared doomed after the prime minister persuaded the extreme right-wing parties which quit the coalition a week ago either to vote against the Labour motion or abstain.

Mr Shamir intended to use the breathing space to negotiate with both his Likud party's remaining religious party coalition partners and opposition parties to fix an election date to his liking.

He has signalled his preference for June, by which time he hopes to have reached agreement with Washington on terms for $10bn (£5.5bn) in US loan guarantees to help finance Jewish immigration from the former Soviet Union. Fast rising unemployment and fears of economic hardship have made the loan guarantees an important election issue.

Chinese trade increases by 17.5%

China's foreign trade in 1991 soared 17.5 per cent to $135.7bn (£74.9bn), the Chinese government announced yesterday, Kyodo reports from Beijing.

The country's balance of trade in the year posted a surplus of $8.12bn with $71.91bn in exports against $63.79bn in imports. Exports were up 15.8 per cent and imports 19.5 per cent from the previous year.

The Ministry of Foreign Economic Relations and Trade attributed the good showing mainly to last year's abolition of export subsidies aimed at making Chinese enterprises more competitive, and to the west's lifting of economic sanctions and the virtual ending of a strict domestic economic policy that brought on appreciable growth in imports.

Hong Kong was China's top trade partner with $49.6bn while Japan was second with $20.3bn. Third was the US at $14.1bn and South Korea was fourth at $3.3bn. All four figures represented growths of more than 20 per cent. Trade with Taiwan, at $4.2bn, was up 5.95 per cent. By contrast, trade with the former Soviet Union fell by 12.2 per cent to $3.9bn.

Cameroon's debts rescheduled

Creditor nations working through the Paris Club rescheduled the official foreign debt of Cameroon over 15 to 20 years yesterday, AP reports from Paris.

The creditors announced that they advised stretching debt service payments to 20 years for public development assistance loans, and 15 years for other types of guaranteed loans. They did not say what amount of debt was covered by the package, but urged other creditors to arrange debt conversions for Cameroon.

Those participating in the Cameroon talks included Austria, Belgium, Britain, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, and the US.

Gulf war prisoners plea

A Kuwaiti human rights delegation yesterday urged Mr John Major, the British prime minister, to increase pressure on Iraq to free up to 1,053 Kuwaiti hostages held since the Gulf war, Mark Nicholson reports.

A 14-strong delegation from the Kuwait Association to Defend War Victims presented a letter to Mr Major calling on him to insist that Iraq give the International Committee of the Red Cross access to Kuwaiti detainees.

Jordan keeps a wary eye on the Islamic surge in Algeria

By Lamis Andoni in Amman

EVENTS in Algeria are being monitored closely in Jordan, which is itself taking first democratic steps and which also has an influential Islamic movement vying for power through the ballot box.

There are already strong indications that the Moslem Brotherhood, the Ikhwan, will dominate the 80-seat parliament after elections in November – thanks in part to the disarray of its left-wing and pan-Arabist rivals.

For many political analysts in Amman, Algeria offers a salutary warning to Jordan's political leaders, who will seek to avoid being caught between allowing the Brotherhood to take over parliament and a disruption to the fledgling democratic process.

Two years ago, in the last polls, the Brotherhood rose to prominence by winning a third of the seats in the parliament. It received a substantial boost from the Islamic Salvation Front (FIS) victory in Algeria – the more so since the military-backed cancellation of Algeria's second round poll is widely felt to have eroded the credibility of Arab leaders' attempts to introduce democracy.

Algeria and Jordan cannot be directly compared, however, and some analysts argue that Amman's system has enough safety valves to prevent outright confrontation between the Brotherhood and King Hussein.

While the FIS emerged in the 1980s as an alternative movement to the ruling National Liberation Front in Algeria, for instance, Jordan's King always allowed the Brotherhood a special status for having supported him during the 1950s against Arab left-wingers and radicals.

Moreover, the Brotherhood's leaders have constantly sought to avoid confrontation with the state and have opted in the past to use its privileged status to take influential positions in government institutions.

However, relations between the palace and the Brotherhood have grown increasingly strained over the past few years as King Hussein has publicly attacked the movement's efforts to change the country's relatively liberal lifestyle. The Brotherhood has found itself further alienated from the King since his reconciliation with former radical opponents and his decision to enter peace talks with Israel last October.

According to some members of the Brotherhood, the movement's most prominent leaders are concerned to retain a conciliatory policy towards the King. But they are coming under pressure from an increasingly militant power base.

In response to events in Algeria, the Brotherhood has found room within itself for both radical and moderating voices. The movement has attacked the cancellation of elections in Algeria as "usurpation of power from Islamicists", though some officials from the movement have also criticised FIS for "confrontational tactics".

For its part, the palace remains wary about the movement's declared aim of establishing an Islamic state in Jordan, despite the fact that more radical members of the Brotherhood criticise its leaders for "co-option" into the state.

Leaders forced to abandon grand climax at Srinagar

BJP unity tour falls short of expectations

By K.K. Sharma in New Delhi

THE OPPOSITION Bharatiya Janata party's much publicised *ekta yatra* (unity tour) ended in a pyrrhic victory, at best. Its leaders are now pondering whether it was worth the effort.

The BJP had hoped by emphasising national unity to widen its appeal among voters and to deflect attention from its emotional communal campaign to build a temple to the Hindu god Ram on a religiously disputed site. The BJP had failed to live up to its promise to start building the temple.

Meant to symbolise India's unity, the caravan headed by Dr Murli Manohar Joshi, the BJP president, was to finish its 45-day tour at Srinagar, capital of the state of Kashmir, where the national flag was to be unfurled before a huge gathering. The grand climax did not take place.

A short discussion with Mr G N Saxena, the Kashmiri governor, the day before the planned grand drive forced Mr Joshi to change his plans. Thousands of volunteers were stranded, with only a token group ferried to Srinagar by the Indian Air Force to unfurl the national flag in a 15-minute ceremony. It was exactly this sort of tokenism that Mr Joshi had been deriding.

Honours went to the militants seeking Kashmir autonomy. In spite of an official curfew, gunfire in the Kashmir valley was heard throughout the day. Even the unfurling site was the target of rocket attack. The militants were able to show that they held sway.

The diverse militant groups fighting for independence apparently suspended their differences, if only for the day, although political observers believe this could well lead to more cohesion among the guerrillas. The *ekta yatra* seemed only to strengthen the militants' resolve, and the BJP might now be forced to abandon *yatra* politics.

Pakistan backs UN peace talks

THE Pakistan government yesterday threw its weight behind UN-sponsored talks to end Afghanistan's civil war, a policy switch UN officials say removes a key obstacle to the peace talks, AP reports from Islamabad.

Pakistan said the Moslem rebels now had to negotiate with their one-time communist foes. The fundamentalist guerrillas, however, have continued to reject negotiation.

UN officials say Islamabad's change in policy, means peace talks could open in late February or early March.

AMERICAN NEWS

Clinton pins campaign hopes on TV confession

By Lionel Barber in Washington

GOVERNOR Bill Clinton of Arkansas was gambling yesterday that an extraordinary prime-time television confession of "wrongdoing" in his marriage has salvaged his campaign for the Democratic presidential nomination.

During a joint TV appearance with his wife, Hillary, Mr Clinton admitted his marriage had been rocky, but he denied allegations of a 12-year-long affair with a former Arkansas state employee and part-time cabaret singer.

Ms Gennifer Flowers, the employee, was scheduled to hold a news conference in New York yesterday in which she was expected to challenge Mr Clinton's account by replaying tapes of phone conversations. However, published excerpts of these tapes have so far proved inconclusive and questions have surfaced about her credibility.

Ms Flowers, who was paid for her story by a supermarket tabloid newspaper, said she met Mr Clinton in 1979 and 1980 at the Excelsior Hotel in Little Rock. But the hotel did not open until 1982. She also claims to have reported on Mr Clinton while working with a local TV station, but Little Rock's KARK-TV said it could find no tapes to support this.

Bill Clinton comforts his wife Hillary after lighting equipment fell close to them during the CBS interview

Mr Clinton, the early front-runner for the Democratic nomination, was judged yesterday to have taken a huge gamble by appearing on CBS's programme "Sixty Minutes", which generally attracts more than 8m viewers.

Although his campaign advisers said the sex scandal rumours were drowning out the Arkansas governor's message to voters, the risk was his confessions could draw further media scrutiny just three weeks before the critical New Hampshire primary election.

Mr Clinton, 46, appeared calm and good-humoured throughout the interview. "I have acknowledged causing pain in my marriage," he said. "I have said things to you tonight and to the American people from the beginning that no American politician ever has."

But in response to a question on whether he had ever committed adultery, Mr Clinton avoided a clear-cut response. "I'm not prepared to say tonight that any married couple should ever discuss that with anyone but themselves."

He appealed to the US public for fairness and urged the media to respect his privacy, instead of turning the 1992 campaign into a "game of gotcha".

Big news organisations initially played down or ignored the unsubstantiated allegations, but the story has gained momentum as commentators claim the charges go to the heart of the candidate's character.

The governor has responded that his treatment and the airing of unsubstantiated allegations went to the heart of the character of the press.

● Mr Clinton saw his popularity fall sharply last week among likely Democratic voters in New Hampshire, which holds the first state presidential primary, Reuter reports from Boston.

In a poll by the American Research Group, based in Manchester, New Hampshire, which has conducted daily surveys in advance of the February 18 primary, support for Mr Clinton fell 14 percentage points in five days last week.

The latest polling data, up to Saturday, put Mr Clinton in second place, with 25 per cent, to Mr Paul Tsongas, a former Massachusetts senator, who has 27 per cent of voters' support.

Pentagon to reveal cuts in weapons production

By Lionel Barber

THE PENTAGON is expected tomorrow to unveil far-reaching plans to scale back production of new weapons systems, including nuclear warheads, in response to the collapse of the Soviet Union.

The plans are intended to save billions of dollars in military spending, but could face stiff opposition from Congress and US defence contractors.

In their most radical form, the plans would halt production of most new weapons systems once a prototype was ready. The aim would be to restrict the Defence Department's costs to research and development – which typically represents about a quarter of the cost of an advanced weapons system.

Big defence contractors argue that this would saddle industry with the cost of research without the security of future earnings through mass production.

A further objection is that mass production irons out defects in advanced weapons systems, and also helps to sustain the country's defence industrial base.

Congressmen, while generally enthusiastic about cuts in defence spending to pay for domestic programmes, may support this view because of fears of jobs losses in their districts and general concern over foreign competitors.

Separately, the administration is reported ready to announce a halt in production of the W-88 nuclear warhead. This would fit earlier steps to reduce the US nuclear bomb-building capability in line with cuts in nuclear warheads agreed with the former Soviet Union.

Haiti's junta tries to block Aristide

By Canute James in Kingston

HAITI'S military rulers are intensifying their efforts to frustrate the return to the country of Mr Jean-Bertrand Aristide, the president who was overthrown and sent into exile last September. They have also prevailed on legislators to delay indefinitely negotiations with the Organisation of American States for Mr Aristide's return.

The military is attempting to prolong the interim government which it set up after the coup, and wants to organise elections.

In another development, soldiers and policemen attacked the office of Mr Rene Theodore, the prime minister-designate, at the weekend, killing one of his bodyguards.

The attack, the second on Mr Theodore's offices this month, has raised concerns in the Caribbean state over his safety, while Haitian legislators consider whether to ratify his appointment. Ratification would clear the way for the return of Mr Aristide. The OAS and Mr Aristide have agreed on Mr Theodore as the interim prime minister, but the army has been forcing parliamentarians to delay a decision on his ratification.

The senate has imposed a 10-day moratorium on negotiations with the OAS, apparently to appease the military. Following the attack, Mr Theodore said the country was being held hostage by thugs.

"Two things must be clarified now, at this moment of deepening crisis," he said after the attack. "We need to know whether the commander-in-chief cannot control his troops, and whether parliament will or will not prolong the mandate of the interim government."

The country's military rulers appear emboldened by the limited effect of a trade embargo imposed by the OAS, the European Community and several countries. A shortage of fuel has been relieved by three shipments since the embargo was imposed.

Mr Joao Baena Soares, secretary general of the OAS, said last week: "We must come to the conclusion that it is not possible to implement the embargo." The political stalemate in the country of 7m has led to a resurgence of refugees seeking asylum in the US.

Former world heavyweight boxing champion Mike Tyson arriving in court in Indianapolis yesterday with one of his lawyers for the start of his trial on rape charges. Tyson, 25, denies allegations that he raped an 18-year-old black beauty pageant contestant in a hotel room last July

US business confidence rises sharply

US business confidence rose sharply in January, reversing a three-month decline, figures indicated yesterday, writes Michael Prowse in Washington. Cahners Economics, a Massachusetts-based consultancy group, said its index rose to 63.2, compared with 56.1 in December. It was the largest increase since the group began tracking business plans last June, when the index read 62.5.

Mr Kermit Baker, Cahners' chief economist, said confidence was being revived across the US. "While the trend is uneven, with consumer product and service sectors lagging, this is the first hard evidence that a recovery in manufacturing can begin in early to mid-1992." Managers in the computer and electronics industries were the most bullish, with four out of five companies surveyed forecasting an upturn in production and sales by the start of the second quarter.

But business confidence in the service and consumer products sectors remained weak.

UK building executives fear 50,000 job losses

By Andrew Taylor

A FURTHER 50,000 jobs are likely to be lost this year by the UK construction industry, which expects annual output slump to the lowest level for six years, building industry executives warned yesterday.

Mr John Smith, chairman of the Building Employers Confederation, said at least half of all construction contracts won recently by companies were loss making or had been achieved at zero margin.

The confederation, which has more than 9,000 members, yesterday published its latest workload survey, showing that more than two thirds of builders expect output to fall during the next 12 months.

More than 75 per cent of the 600 companies questioned at the beginning of this year said that they were working at between two thirds and three quarters of capacity.

Mr Smith said the only chink of light in the survey was that slightly fewer companies, on balance, were reporting a decline in inquiries for work. There was also evidence that more companies were undertaking repair and maintenance work. The situation facing the industry, however, "remained terribly serious."

The survey will make gloomy reading for Government ministers who may be hoping that an upturn in the housing market will stimulate greater confidence in the economy as a whole.

Mr Smith said that since the new year there had been a sharp increase in interest from would-be house purchasers but that this had still to be turned into firm sales. Even if the upturn was sustained, it would be unlikely to benefit housebuilders until the end of the year – such was the large overhang of unsold properties on the market.

The number of construction company liquidations, which last year rose from 5000 to 7000, were likely to remain high.

The collapse in residential and commercial property sales and values has hit a large number of construction companies which had moved into speculative development during the 1980s.

Major presents blueprint for better services

By John Willman and Alison Smith

THE prime minister yesterday took the general election campaign on to territory held traditionally by the Labour opposition with a pledge to put the improvement of public services at the heart of his government's programme.

Addressing a conference in London, Mr John Major presented an upbeat assessment of the progress in implementing the citizen's charter as a "blueprint to deliver higher standards" in public services.

He announced details of two measures to strengthen the charter's drive to improve services: the charter mark, an award for excellence in the public services; and a new telephone helpline – the Charterline – to provide information to the public on the charter.

The Labour party denounced the initiatives as electioneering. Mr Neil Kinnock, the Labour leader, said: "When the government promises better services without better investment they simply show what a confidence trick they are trying to pull."

Mr Major told a conference of senior executives in the public sector and privatised industries that although the citizen's charter was only six months old, its effects were building fast. Among the improvements in public service which had resulted were:

- guaranteed maximum waiting times for health service operations;
- annual reports for schoolchildren, and league tables of school performance;
- more flexible opening hours for tax offices, Jobcentres, and benefits offices;
- fixed appointment times for gas and electricity officials.

"Too often the public are treated as if they were the lucky recipients of a free service", Mr Major said.

He outlined plans to strengthen the inspection of services such as police, social work and probation by including "outsiders such as professionals, users, commonsense citizens" in their inspectorates.

The prime minister urged local authorities to seek out ways of helping businesses which find that different authorities apply the same laws in different ways.

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MANUFACTURING TRADE DEFICIT

Exporters shine in economic gloom

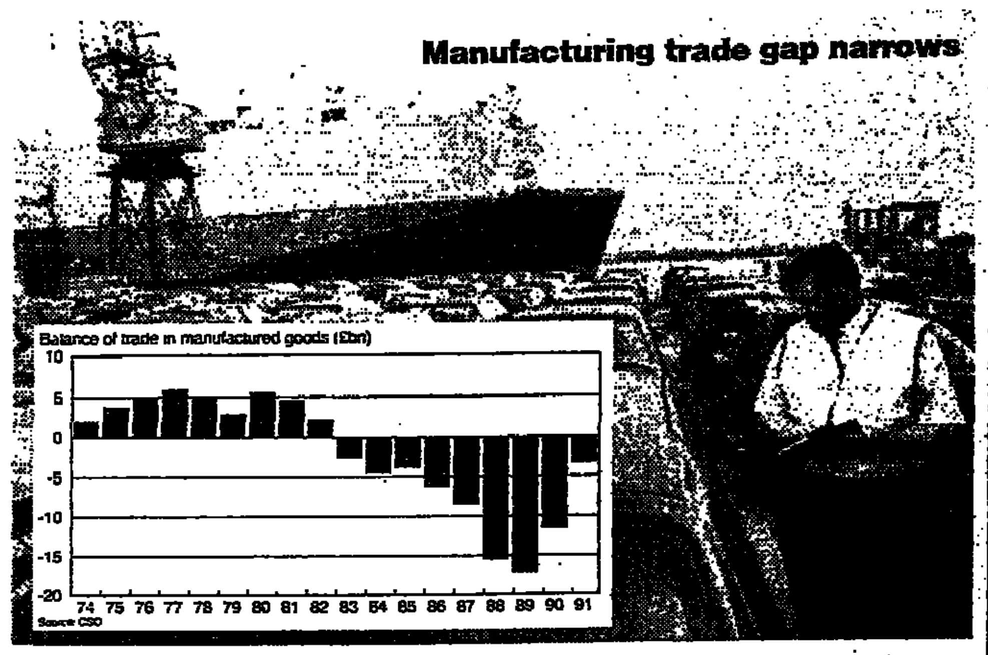
By Peter Marsh, Economics Staff

EXPORTERS pushed up sales volumes to record levels in the final quarter of 1991, providing a dose of optimism to counter the gloom caused by the recession.

The good progress of exports showed up in figures released yesterday by the Central Statistical Office (CSO) on the manufacturing trade deficit for 1991. At £3.5bn, that was the smallest annual deficit for eight years, and compared with a deficit of £11.4bn in 1990.

A measure of exports often taken to indicate the underlying trend – which excludes oil, and high-price, erratic items such as ships and gems – was up 2½ per cent between October and December, compared with the previous quarter.

Overseas sales of manufactured goods, which account for about four-fifths of all exports, grew by nearly 3 per cent in 1991 compared with 1990, from £82.8bn to £85.1bn.



Manufactured imports fell sharply, from £94.2bn to £88.6bn, due to slack UK demand caused by the poor economic climate.

Car exports in 1991 climbed to £4.1bn from £3.3bn in 1990, while imports were cut to £5.5bn, from £7.4bn the previous year. That gave a trade deficit for cars of £1.4bn, the lowest figure since 1981.

In December, the value of all merchandise exports was £9.0bn, 2½ per cent up on November, while the value of imports was little changed at £9.6bn. That produced a deficit on merchandise trade last month of £688m, as against a revised £930m deficit for November.

With the CSO's assumption that invisible trade – services and various financial payments – produced a £300m surplus in December, the total deficit on the current account last month comes out at £388m. In November, the figure was £630m.

Britain's trade deficit with the rest of the European Community, which accounts for roughly half UK trade, fell particularly sharply in 1991 to £1.9bn, from £10.9bn in 1990.

Trade with Britain's two biggest overseas business partners showed a differing pattern. While the deficit with Germany fell to £3.0bn last year from £6.8bn in 1990, the deficit with the US edged up from £1.4bn to £2.3bn.

In the final quarter of 1991, exporters with the best growth performance included makers of food, drink and tobacco products which showed an 11 per cent increase in volumes on the previous three months.

Sharp rise in bias cases for Acas

By David Goodhart and Catherine Milton

A RECORD number of unfair dismissal or discrimination cases was referred to Acas, the government conciliation service, last year. The total was 60,605, an increase of more than 15 per cent on 1990.

The figures, which will be published officially in the spring, show the increased readiness of individuals and unions to pursue such cases. They also reflect the depth of the labour shake-out which began gathering pace from the middle of last year.

Acas has a statutory duty to try to conciliate between employees and employers before a case goes to an industrial tribunal, and is usually successful in this. Of the 60,605 individual conciliation cases referred last year, 36 per cent were settled at Acas, 32 per cent were withdrawn and only 32 per cent went to tribunals.

The most dramatic percentage increase last year was in the area of sex discrimination where, according to Mr Brian Atkins, director in charge of individual conciliation. That was mainly because of a wave of cases influenced by the European Court's Barber judgment, which extended the definition of pay in equal pay cases to include pensions.

British Gas poised to buy power station in Ulster

By Juliet Sychrava

BRITISH Gas is likely to buy one of the four power stations up for sale in Northern Ireland, the government revealed yesterday.

British Gas is expected to buy Ballylumford, Northern Ireland's largest power station, which supplies about half the country's electricity.

A partnership between Tractebel, the Belgian power conglomerate, and Associated Energy Supply (AES), the US power company, was tipped as likely to buy two more stations, while the fourth may go to a management buyout team.

The sale of the stations will be an important step in the privatisation of Northern Ireland Electricity (NIE), the state-owned electricity generator and supplier.

Legislation enabling the sale of NIE to proceed is expected to be in place by mid February, after which the new companies replacing NIE will be formally created.

The company's four power stations will be sold as individual units, while NIE's electricity supply business will be sold to the public in November.

AES, which has invested in a new power station in Kent, and Tractebel are expected to buy the newest station Kilroot and the old Belfast West station.

The fourth station, Coolkeeragh, will probably be bought out by management.

There will initially be no electricity pool or wholesale market in Northern Ireland.

Big industrial customers face cut in gas supplies

By Deborah Hargreaves

BRITISH GAS, the UK supplier and distributor, faces a severe gas shortage by the mid-1990s which may force it to cut supplies to some of its biggest customers, such as Imperial Chemical Industries (ICI), which take large amounts of cheap gas, the company said yesterday.

Mr Cedric Brown, senior managing director, said: "It is inevitable that we will have to withdraw significantly from the interruptible market by 1994-1995". Interruptible customers get their supply nearly 10p cheaper than other industrial consumers, as they agree to be cut off at four hours' notice during peak times.

The looming gas shortfall may cost companies such as ICI and British Steel several million pounds more in fuel bills a year, as they will have to rely on alternative fuels such as heavy oil or gas oil.

Mr Brown said the shortage will arise partly from the amount of gas that is being sold to new power stations.

The power generation market has grown during three years to half the size of British Gas' entire industrial market of about 10bn therms a year.

"We have been voicing our concerns about the scale of growth in this market and its impact on the rest of the market to the Department of Energy for quite some time," Mr Brown said.

British Gas perceives a shortage of 1.5bn to 2bn therms by 1994.

As part of British Gas' deal with its regulators to aid the development of competition in the industrial market, the company has agreed not to buy any new gas for the next three years. At the same time, it will release part of its existing supply to rivals.

Even if British Gas could contract to buy new supplies, Mr Brown is sceptical that imports from Norway could fill the gap. Norway has little new gas available before the second half of the 1990's and that is at a price higher than the prevailing UK price.

Mr Brown also foresees a substantial rise in price for industrial customers as supplies become tight. At the same time, the company has warned that domestic customers may face price rises when British Gas hives off its transport division into a separate company, which it is required to do as part of its agreement concerning competition with the regulators.

"I don't think many of our customers realise that service standards could slip when we separate the businesses," Mr Brown said. That was because services relating to the movement of gas through the pipelines will not be dealt with by the same representatives as those dealing with appliance services.

British Gas' regulator will soon be releasing figures which show that the number of complaints it received about British Gas last year rose by more than 100 per cent to 400 contacts, he added.

Brown: voicing concern

Politicians postpone negotiations on Ulster

By Ralph Atkins

NORTHERN Ireland's political leaders agreed yesterday to abandon attempts at starting formal negotiations on the province's future until after the general election.

Mr Peter Brooke, Northern Ireland secretary, aimed to minimise recriminations as he put efforts to resume "round table" talks on hold during a 90-minute meeting at Westminster with the province's four main political leaders.

The announcement may mark the end of Mr Brooke's efforts to reconcile Unionist and nationalist aspirations. In his two years in the province he has won rare praise for a Northern Ireland secretary after starting "round table" talks last year, only to see them become bogged down by procedural disputes.

Ministers have felt frustrated that even the increased concern about terrorism in the province has failed to generate sufficient political will to overcome the main obstacle to talks – the question of whether they could continue under a Labour government.

Mr Brooke later issued a statement emphasising the "great potential" of dialogue.

New airline gives Airbus a boost

By Paul Betts, Aerospace Correspondent

THE launching of a new UK charter airline yesterday gave the European Airbus consortium an important psychological boost with the new carrier announcing that it would start operations in May with three A320 twin engine airliners.

The advanced highly computerised aircraft has been at the centre of controversy an Air Inter A320 crashed in France last week, killing 87 people.

Mr Bob O'Donnell, the managing director of the new charter airline called Excalibur Airways, said that he had no doubts about the integrity of the A320's systems. In two previous crashes, the aircraft, its systems and engines had been cleared and Mr O'Donnell said he expected the aircraft to be exonerated in the latest accident inquiry.

Investigators are still trying to discover the precise cause of last week's A320 crash, but the French civil aviation authority said an initial examination of the aircraft's flight recorders had yielded no reason to ground other A320s.

The new airline is the first UK charter carrier to operate the A320 on charter services. British Airways operates 10 A320s on scheduled routes.

The new airline has been constituted following a management buy-out of Trans Europe Airways UK, the British charter subsidiary of the

Excalibur plans to order the A320 (above) for its services

collapsed TEA Belgian airline.

The Belgian airline, one of the victims of the slump in air travel caused by the Gulf war and the economic slowdown, went into bankruptcy last year. Although its UK subsidiary was profitable, it was forced to suspend operations last September after the demise of its Belgian parent.

The new airline is the second UK carrier to have been reconstituted from the collapse of previous carriers. The other is Euroworld Airways, the Gatwick-based commuter subsidiary of the Air Europe group, which relaunched operations under new management last year and renamed itself last week Cityflyer Express.

The management of the former TEA UK charter airline have been backed in their buy-out by 3i, the British investment capital group, and Air Malta. Both 3i and the Maltese national airline are taking a 30 per cent stake each in the new Excalibur Airways with the five man former TEA UK management team investing in the remaining 40 per cent.

Mr Albert Mizzi, Air Malta's chairman, said yesterday his airline had been looking for the past two years to invest in another carrier to expand its business. The new charter carrier expects to start operations in May with two A320s based at London Gatwick and one at Manchester airport.

Mr O'Donnell said the A320 had been selected because it offered a longer range and bigger payload than its competitors. Excalibur is leasing the three A320s worth about £85m from GPA, the Irish aircraft leasing group.

Mr O'Donnell would not disclose financial details of the funding of the new carrier but said that it would operate profitably in its first year. He expected the charter market to continue recovering after falling by 5 per cent last year.

Toll bridge link for Skye divides island dwellers

By James Buxton, Scottish Correspondent

THE controversial plan to erect a privately-funded toll bridge over the sea to the isle of Skye in the west Highlands of Scotland is to be tested at a public inquiry which begins today.

Many local people reject the principle of a toll bridge on a route which offers no easy alternative and they oppose the formula for setting tolls.

Others object to the design of the concrete box girder bridge. Some oppose the construction of a bridge altogether and would prefer to keep the Caledonian MacBrayne ferries which began operating a 24-hour service last year.

Last month the Scottish Office signed contracts with a joint venture by Miller Group, the Edinburgh-based construction company, and Dywidag of

A vision exciting disagreement: the plans for Skye's bridge have drawn criticism in principle and in detail

Germany. The consortium will build the bridge and have a concession to charge tolls for up to 27 years. The bridge should pay for itself in about 15 years.

The bridge will cost about £25m, of which £8m will be paid by the Scottish Office for the approach roads. It will be the first privately financed toll bridge in Scotland.

The inquiry, which is to be held in Kyle of Lochalsh on the mainland side of the crossing, will consider nearly 200 objections and may take three weeks.

Miss Elizabeth Haran, the Scottish Office reporter to the inquiry, may in theory recommend against the plan for the bridge. However, the contractors hope to start work in April for completion in early 1995.

Many of the 9,000 people on Skye want a bridge, believing it will benefit the island's tourist industry. A minority of the inhabitants of Skye, including many incomers who have moved there from England, believe that extra tourists will ruin the island and want to preserve its separateness from the mainland.

Recently the National Trust for Scotland which owns part of the land which the bridge and its approach roads will cross agreed with the Scottish Office on modifications to the bridge which will add £1.3m to its cost. Some Trust officials had favoured a more spectacular but expensive bridge of the cable stay type but that objection was dropped.

BRITAIN IN BRIEF

MoD orders inquiry on Gulf shipping

AN investigation is under way into suspected irregularities in the shipping of British troops and equipment to Saudi Arabia during the Gulf campaign, it was disclosed last night.

The Ministry of Defence said documents were seized last month from premises in London and the south-east by MoD police officers.

The documents related to the chartering of ships for Operation Granby – the British contribution to forces in the Gulf.

The UK relied on vessels chartered on the commercial market to move its armoured division with equipment, ammunition and spares. Almost all the ships were non-British flag vessels.

Tories plan private jails

The Conservative election manifesto will commit the government to extending its programme of prison privatisation, according to Mrs Angela Rumbold, Home Office minister.

Britain's first privately managed prison, the Wolds remand prison at Everthorpe, Humberside, is due to open in April, while a tender competition has been announced for Blakenhurst local prison near Redditch, Hereford and Worcester.

Travel agency threatens rival

Pickfords Travel is threatening Lunn Poly, the UK's largest chain of travel agents, with legal action over the latter's refusal to carry holiday brochures of seven tour operators who are offering discounts through Pickfords' shops.

Pickfords said if Lunn Poly does not agree to carry the brochures by mid-day today it will take legal action.

The threat follows an instruction by Lunn Poly to its shops on January 23 telling them to take the brochures of the seven operators off their racks and replace them with holiday information from other companies. The operators concerned are The Club, French Life, Jetsave, Meon, Novotours, Seasun and Sunset.

Freight park for PowerGen

PowerGen, the electricity generator plans to turn the site of an old coal-fired power station into a £350m freight park, the company announced last week.

The station, Hams Hall in Coleshill, central England is still active, but is due to close towards the end of the year, as part of the company's strategy of replacing old coal stations with new gas plant.

The freight park, which will include a link to the Channel Tunnel, would handle more than a million tonnes of freight a year.

Water pollution reports double

Reports of water pollution incidents in England and Wales more than doubled in number during the 1980s, according to the National Rivers Authority (NRA).

The NRA's first compilation of annual statistics yesterday showed that there were 28,143 reports in 1990, up from 12,600 in 1981. The biggest increase came in the Northumbria region where reports rose 57 per cent between 1988 and 1990.

The NRA warned that the lack of early data made trends hard to assess, but it said that there was no question that the number of reports had risen.

Tobacco ban 'to cut smoking'

Banning tobacco advertising in the UK could mean 50,000 fewer 13-15 year old smokers within five years, according to the anti-smoking lobby group Action on Smoking and Health (ASH).

ASH's figures derived from extrapolations of government research conducted in Norway, which banned tobacco advertising in 1975.

ASH also made UK projections based on government research in New Zealand, where tobacco advertising has been prohibited since mid-December 1990. It argued that if the UK followed a similar pattern to that of New Zealand then cigarette sales could fall by 9bn in the first six months after an advertising ban.

SFO challenges court ruling

The Serious Fraud Office is to challenge a High Court judge's ruling that it cannot see the transcript of an examination of Mr Muhammad Naviede, head of Arrows, the Cheshire-based trade finance company that was compulsorily wound-up in December.

The SFO has charged Mr Naviede with obtaining £10m by deception from NMB Postbank, a Netherlands company. The criminal proceedings before City of London magistrates court were adjourned last week until June 15.

The ruling was obtained by the liquidators of Arrows – Mr Scott Martin and Mr Nigel Hamilton, of Ernst & Young – after they had been granted an order under section 236 of the Insolvency Act requiring Mr Naviede to attend for examination.

People launches Asian edition

The People newspaper yesterday sold an estimated 20,000 copies of its new Asian Edition aimed at the Asian community in Britain.

The popular Sunday tabloid is the first national newspaper to produce a separate edition for the more than 1m people of Asian origin in the UK.

The front page headline in yesterday's Asian edition – the second issue – told how: "Bloodbath Fears Halt Hindu Unity March."

Chocaholics keep munching

Recession may have caused millions of British consumers to postpone moving house, opt for cheaper cuts of meat and shelve plans to buy new living room curtains. But they are tucking into chocolates and sweets as never before.

Britons last year munched 807,000 tonnes of chocolate and sugar confectionery, or 269 grams per week for every man, woman and child in the country.

MANAGEMENT: The Growing Business

In a Nutshell

3 ayes have it

Britain's small firms should be queuing up to raise venture capital. Their bankers are reluctant to lend and their balance sheets need a boost. In fact the venture capital industry appears to be struggling to attract new customers.

3i, the largest UK venture capital group and frequently a bellwether for the industry, yesterday announced plans to target companies in the London area with the launch of a £75m Greater London Growth Fund.

It expects to help 150 companies with sums of between £100,000 and £5m over the next two years. Many growing companies are unaware that long-term investment finance is available because of the venture capital industry's emphasis on management buy-outs and the larger deals, 3i said.

The grand plan

A course aimed at helping managing directors and chief executives of companies in the £5m-£25m turnover range to develop and implement a strategic plan is to be held at Manchester Business School starting next March.

The course, Fostering Advanced Management Excellence, consists of 124 hours spread over nine months and will involve business school staff helping chief executives and their boards of directors implement the plans they have produced.

Contact Geoff Burton, MBS, Tel 061 275 6537. Fee £8,000. Up to nine places are available.

Fund of knowledge

A £3m seed capital fund has been launched to provide high-technology businesses based on the Oxford Science Park with funds to develop new products.

The NatWest Oxford Science Park Seedcorn Fund has the backing of the bank's technology unit which will provide technology specialists to appraise projects seeking finance.

Small firms get clubbed to death

Charles Batchelor considers whether another business network is really necessary

Does Britain need yet another network of business organisations to advise and comfort its struggling small firms community? Tom Moffat, the energetic chairman of the Durham Small Business Club,* is convinced it does.

Moffat last week launched a plan for a nationwide network of professionally managed, commercially run small business clubs. He hopes to have 20 member clubs by start-up date on April 1 but he is prepared to go ahead with a dozen.

The idea for Small Business Clubs Nationwide is based on the model of the Durham club. Established 11 years ago it now has 400 members, a staff of 20 and turnover in its last year of nearly £1.2m.

There are already several hundred business clubs dotted around the country but most are voluntary, part-time organisations dependent on the enthusiasm and spare time of their managing committees. Some have the backing of local professional firms. Grant Thornton, a medium-sized firm of accountants, supports 16 business clubs. But most of the local clubs wax and wane depending on the level of amateur, local support.

Moffat's plan is to put in place a more professionally organised group of clubs which can pay their own way by providing advice and training services to small firms. They would employ full-time staff and would not be subject to the pressures on voluntary organisations.

This plan has not met with unbounded enthusiasm from some of the existing organisations in this field. The chambers of commerce, which are to beef up their own national network, have reacted cautiously and are "watching" developments, says Moffat.

The chambers currently have problems enough bringing their own organisation into the 1990s and establishing a working relationship with the newly formed Training and Enterprise Councils (TECs) without an additional challenge from an aggressive business club movement.

Moffat, who runs a publishing and printing business employing eight people, believes many small firms find the chambers too formal or too expensive to meet their needs. "Mrs Cannybody making cuddly toys is not catered for," says Moffat. But the club network he envisages is not just intended to provide a home for the micro-business. Moffat sees their role as providing vital support for the 96 per cent of growing businesses employing fewer than 20 people.

He envisages the clubs ultimately forming part of a three-tier support network with start-ups helped by the enterprise agencies, smaller established businesses belonging to a club and larger businesses belonging to a chamber.

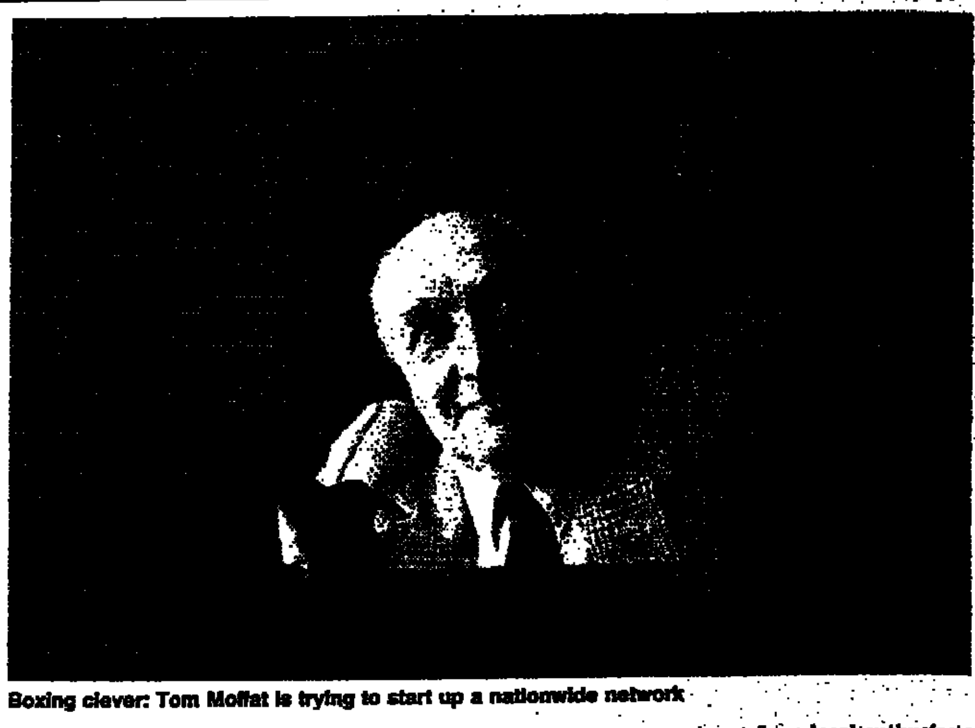
The chambers reject Moffat's charge that they do not meet the needs of the smaller business. "Well over 70 per cent of our membership employ fewer than 50 people," says Ronnie Jacobson, marketing manager at the London Chamber of Commerce.

The London chamber charges a minimum annual subscription of £295 compared with the £30-£35 Moffat envisages for businesses which belong to a club in his organisation. But Jacobson says this fee represents good value for money for the chamber's range of services, including a library, help with exports and trade.

The Moffat plan would involve founder member clubs paying £2,500 for a shareholding in Small Business Clubs Nationwide plc. Twenty members are needed to raise the £50,000 start-up capital required to obtain plc status. The organisation could start on an unincorporated basis with fewer members. Member clubs would also pay £5 a year for each business member to the central organisation. In return they would share in any profits. Moffat believes the idea will appeal to councils, universities and colleges, TECs chambers of commerce and banks or accountants keen to foster small business networks in their area.

The idea for a national network received a mixed response from more than 70 representatives of small business organisations at meetings held in London and Durham last week. About 25 participants said they were interested in the idea in principle.

Mike Duckett, business enterprise manager of Shropshire TEC, said he could see few benefits for the end user – the small business – from the creation of a nationwide network. Shropshire TEC sees its priority as supporting the six business clubs set up in the county by providing backing to the start-up businesses which are club members.



Boxing clever: Tom Moffat is trying to start up a nationwide network

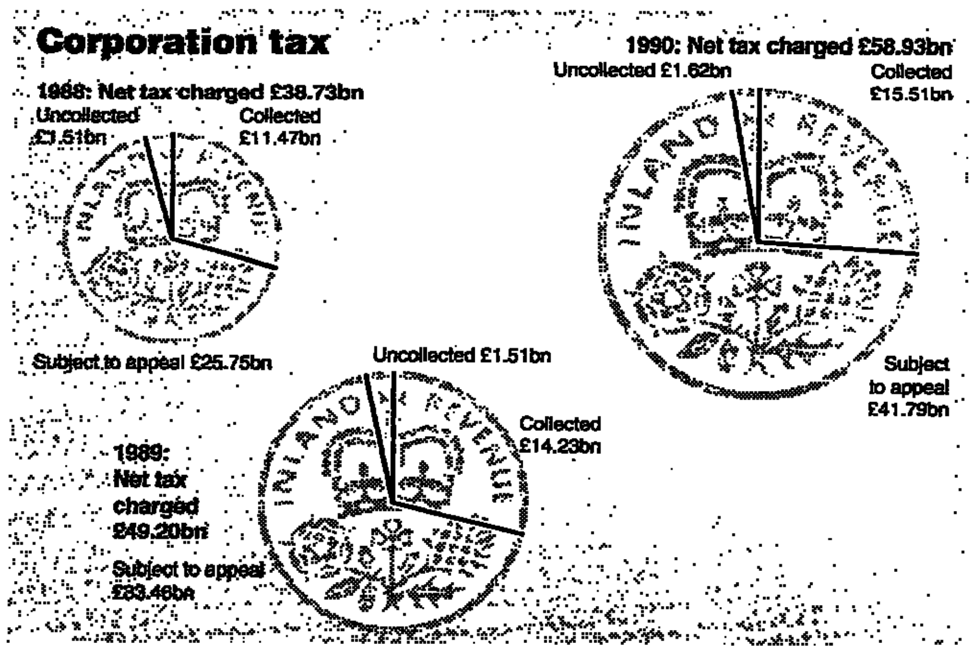
Letchworth Business Club, a voluntary organisation with nearly 400 members, was also not convinced that there were sufficient benefits from a nationwide scheme. Regional groupings of clubs might be more appropriate and respond to the local preoccupations of many small firms, said Philip Harkness, chairman.

Moffat's plan is ambitious and runs counter to recent trends in small business thinking which have favoured a simplification of the small business support network. Too many competing organisations merely confuse small business owners, this argument goes.

But Moffat, an electrical engineer by training, is a determined man. He likes to cite the parallel of Durham County Cricket club, for which he once played and of which he is now a director.

Apart from local enthusiasts few people gave much chance of Durham, for its 108 years a minor cricketing county, winning promotion to the first-class county league. But a carefully managed campaign in which Moffat was involved saw Durham win acceptance to first-class cricket in 1990 and its first match at the top level against Lancashire next April. "People said that was an impossible dream too," he says.

**West Pelton House, West Pelton, Co. Durham, DH9 6SG. Tel 091 370 2266.*



Getting in style with Pay and File

The most significant change in decades to the way UK companies pay tax will take place next year when the Inland Revenue introduces the Pay and File system for assessing and collecting corporation tax.

The likely starting date for the new system is September 30, which may appear a long way off but companies should start preparing now.

Pay and File will have tighter time constraints than the present system, and will be accompanied by costly fines, according to Paul Morris, senior tax partner at accountants BDO Binder Hamlyn.

Under the new system companies must pay their estimated tax within nine months of the end of the accounting period and file returns within 12 months of that date. There will be no scope to defer settlement, as now, and there will be no need to wait for the inspector's assessment.

The penalties start modestly but for tax returns which are between six and 12 months late the penalty is £200 and 10 per cent of the unpaid tax. Returns which are more than 12 months late will incur a higher penalty still. There is no need for the Revenue to prove fraud or negligence.

Since few companies will know their exact liability for tax nine months after the end of the accounting period the Revenue will charge interest on underpayments and pay interest on overpayments. The new scheme should reduce the large sums which the taxman is at present unable to collect because the company has appealed.

Subsidiaries of larger groups will be able to set their tax liability against losses made elsewhere within the group. Claims against tax must be made within two years of the end of the claiming company's accounting period or before its tax liabilities have been agreed, if this is later.

Companies most likely to be adversely affected by these changes are those which are poor at collecting tax information or which require a great deal of manual effort to get their numbers together.

Companies should start preparing now to upgrade their systems to take account of the new tax regime, says Paul James, a director of BDO Consulting. He recommends:

- Do your tax calculations once only. At present many companies do their sums quickly for the purposes of the audit and then recalculate the numbers more carefully for tax purposes.
- Plan to have 95 per cent of the information you need ready in the first four months after your year end, so you can plan your tax strategy.
- Over the next four months complete the collection of information and finalise your strategy in time to pay the tax by the nine-month deadline.
- Complete your calculations and file your computation with the taxman by the 12-month deadline.

CB

Useful reading: Pay and File Special Briefing 73. BDO Tel. 071 489 6074. Three pages; Free. Pay and File by Ned Wilsher. Butterworths. 172 pages; £25.95.

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For further information please contact Bob Bailey at Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA. Telephone: 0533 622338. Fax: 0533 536929.

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A man of mystic symbolism

William Packer reviews Alan Davie

At well past his 71st, the celebration of Alan Davie's 70th birthday is more than a little overdue, but none the less welcome for that. He is one of the most distinguished and significant of painters to emerge in Britain since the War, perhaps Scotland's outstanding artist of the period. In the late 1940s especially, and through the 1950s, he was as potent as force as any, as conspicuous as Bacon and Sutherland and yet quite alone in his commitment to symbolic, expressionist abstraction.

We might well wonder, therefore, why this show does not command the Tate; and if not the Tate, why not the National Gallery of Modern Art at Edinburgh, where it was first mooted and then abruptly cancelled. Edinburgh, where he studied and, for him, a city as long personal association as Glasgow is short. Yet all has come right in the end, for nowhere but in Glasgow, close by Macintosh's art school where his father taught just round the corner into Sauchiehall Street, are there galleries at once so handsome and spacious enough to do justice to his full life's work.

So Davie's *Solo* fills the splendid McLellan Galleries until March 22 (then a gap until Bristol in September). There are several pendant shows: in Glasgow, of mixed works, at The Compass Gallery (West Regent Street, through February); and, to be fair, in Edinburgh, of *Works on Paper 1959-91* at the Talbot Rice Gallery (until February 22: a British Council initiative which tours first to Aberdeen and then extensively around South America), and *Tapestries and Prints* at Edinburgh Weavers (until February 29).

He has always shown extensively abroad, most especially in South America; but in London, had it not been for regular exhibitions with Gimpel Fils, his dealers since 1950, we should have seen little of him. As for our public institutions, mixed shows apart, South West Arts gave him a provincial tour in 1978, the Royal Scottish Gallery a retrospective at the Edinburgh Festival of 1972. The British Council showed him in Delhi in 1971, the Graves in Sheffield in 1965. In London the last such show was at the Camden Arts Centre in 1971, before that a touring retrospective that came to the Whitechapel in 1959.

Can such indifference have been a mere chance of fashion, a case of a face not fitting, a body of work suddenly rendered as invisible as the jazz, of which Davie has always been as devoted a practitioner as he is a painter, was suddenly inaudible in the cool and raucous, rocking 1960s? Yes, it can. Davie, like so many prolific and romantic artists, has over-produced uncritically in his time, and gone through periods of uncertainty and even failure in his work. Yet good artists are not always the best self-editors, and a certain unneveness of achievement is hardly surprising in a career now little short of 50 years.

The truth would seem to be that Davie had the temerity not merely to stick to a manner, abstract expressionist, that the received wisdom held to be both out-moded and imitative, but continued with its evolution towards a specifically symbolic, ultimately figurative imagery. If it is hard to categorise – i.e. if it does not fit – leave it out. We have only to walk through this large, splendid show to realise how narrowly mistaken is such a view.

The earlier work, up to about 1960, is consistently extraordinary and enough to confirm Davie's importance had there been nothing to follow. Then come two decades of transition, sometimes tentative, awkward, sometimes sure enough; and at last, in more recent years, work again of such assurance and resolution that, its eccentricity notwithstanding, it both validates and is validated by all that has gone before.

He has always been a mystic and a symbolist, intrigued by sign and totem, ever drawn into the attempt at sustaining a kind of visual incantation. Instinctively pantheistic and general in his imaginative references and associations, he began obviously enough, close to the romantic expressionism of Chagall and Rouault. By the late 1940s, however, he had abandoned overt figuration, and while his friendship with Peggy Guggenheim in Venice had exposed him to the earlier phases of American abstract expressionism, Pollock especially, he remained firmly European in his sensibility, never persuaded that the surface, the paint, the mark of itself were ever enough.

Although his own personal and visionary heraldry for a while was subsumed in the rich paint, the brooding, atmospheric colour and the broad, freely calligraphic handling – all quite as accomplished as anything of the Americans of the time – it was never dispensed with altogether. Indeed, it remained perhaps the more potent in its imaginative charge for being the more ambiguous, generalised and unspecific. Not by the titles alone, of his paintings of the 1950s, the Witches' Sabbaths, the sundry creations, martyrdoms and initiations, do the black paintings of Goya come to mind.

After 1960, even more so after 1970, the colour clears and brightens and becomes flatter. The pictorial space is now more clearly established, a curious shallow, somewhat theatrical space or room animated by a strange menagerie of symbols – a kind of free-floating still-life of moon, snake and wheel, stripe and chevron. The imaginative source is avowedly Celtic, Pictish, a conscious evocation of unknowable magic and ancient principle.

And slowly, as it clarifies and becomes specific, so the figuration in the most recent paintings shifts towards the acknowledged mysticism of the Buddhist and the Hindu, drawn upon the mannered imaginary landscapes and gardens of Mughal miniatures and carpets. The later water-colours are especially strong and beautiful in holding both to the open, general influence and reference, and the personal integrity. From the pagan Celtic to the mystical Hindu may seem a strange odyssey, but it is all one.

'Serpent Swallows the Fairy Tree', 1971, by Alan Davie, at the McLellan Galleries, Glasgow

The London Vertigo

ANDREW'S LANE THEATRE, DUBLIN

What, I wondered anxiously, is Ireland's leading dramatist up to, adapting an obscure 18th century farce? Do we really need wigs and coxcombs and cuckolds at a time like this?

It took only a few minutes – up to the moment when John Hurt enters in a preposterous wig as the outrageously-affected coxcomb – to dispel all doubts. Brian Friel has cut a bad three-act play down to a very good one-act play lasting 50 minutes. But why? At first the answer seems to be quite simply that he is having fun. And why not? The actors enjoyed themselves, too, and so did the audience, many reduced to tears of laughter.

The London Vertigo is based on a play by the Irish actor and playwright, Cathal MacLochlainn, alias Charles Macklin, which was warmly received by Dublin audiences but closed after one disastrous night in London. Born in the 1690s in a remote part of Donegal as an Irish-speaking Catholic peasant, MacLochlainn learnt to speak English with an English accent, changed religion and invented a wealthy, landed background. They loved him in London, where he was a friend of Garrick and Fielding and his Shylock was praised by Pope.

The play concerns a less successful effort at changing identity. Murrough O'Doherty's wife is inflicted with London vertigo on returning from a visit to that city, has re-named herself Mrs Diggerty, affects an English accent, covets an English title and is about to cuckold O'Doherty with an English coxcomb, Count Mushroom. The plot concerns O'Doherty's efforts to cure his wife and humiliate the coxcomb, a highly-successful endeavour in which he is helped by his brother-in-law and a maidservant.

The production, by the Gate Theatre, is playing twice nightly in the 220-seater Andrew's Lane while the Gate is being refurbished. The classical set, by Monica Frawley, makes good use of the tiny stage and the director, Judy Friel, expands it further by judicious use of "voices off". We hear John Hurt before he enters in an amazing beehive wig which meets its match only in Mrs Diggerty's monstrous confection. Gemma Craven's fluting voice is wonderfully suited to the contortions of Mrs B's more-English-than-the-English accent and slides effortlessly into the vernacular on demand. Hurt and Craven are an inspired comic duo. The sight of Count Mushroom, disguised as a laundry-woman attempting to seduce Mrs B, is funnier, I am sure, than anything in the panto across the road. They are ably supported by John Kavanagh as the scheming husband, Eamon Morrissey as his bovine brother-in-law, and Antoine Byrne as the comely serving-wench.

But, in the end, the star of the evening is Friel's adaptation. His convoluted use of asides adds another dimension to the proceedings and recalls an earlier success, *Philadelphia, Here I Come*. And, inevitably, once the laughing has stopped, one realises that Friel is not simply having fun but is making another contribution to the age-old, unresolved debate about the difference between English and Irish identity. Here it is the Irish who triumph and perhaps that is why the original was such a flop in London. This version will, I am sure, travel better.

Alannah Hopkin

The Shadow of a Gunman

LEICESTER HAYMARKET STUDIO

The recent bombing in Co Tyrone has given a sad, topical edge to Sean O'Casey's 1923 *The Shadow of a Gunman* at Leicester. The production carries its topicality with great tact; it makes the play's issues current yet preserves the historical moment which O'Casey recorded.

O'Casey based this play, originally *On The Run*, around a series of raids on republican "safe houses" in north Dublin over the Easter weekend, 1921. O'Casey had links with the IRA through his secretaryship of one of its constituents, the Irish Citizen Army; and since 1920 the IRA had been conducting insurgency operations. O'Casey was staying in a dilapidated Georgian house raided by British forces; he was untouched, but another tenant was taken away under suspicion of manufacturing bombs.

That real life incident survives in *Shadow*: a poet and a travelling salesman share a room in a republican tenement; other inmates drift in and develop the nationalist cause from various positions: labourers, landlords and shopgirls. The house is raided, and explosives found in a girl's room.

What emerges is a play about how people make political belief intimate with their lives, about degrees of activism. O'Casey jokes coolly, bringing the troubles back home: "a land mine exploding under your bed is the only thing that would lift you out of it." Elsewhere the play's tone alters to a resigned shrug at the state of Ireland: "After a bit, a gunman throws a bomb as carelessly as a schoolboy throws a snowball."

Shadow has the excitement of Conrad's *Secret Agent* and the tenderness of Joyce's *Dubliners*.

Paul Kerryson's scrupulous direction meets the technical demands levied by O'Casey's staging notes: the poet "bears upon his body the marks of the struggle for existence and the efforts towards self expression" and is well interpreted by John McCormack. Russell Dixon as the salesman, all blarney and belief, turns in a natural, easy performance, as does Angela Clerkin as a lovestruck girl willing to hide explosives in her room. Denis Quilligan is a model of unvarnished respectability as a worried tenant appealing to the IRA to resolve a domestic broil.

The set follows O'Casey to the letter, creating a decayed room with collapsible beds; but Charles Cusick-Smith's design successfully incorporates a bright mural in a rural idyll spattered with blood.

Shadow of a Gunman closed after three nights at The Abbey Theatre, Dublin in 1923. The first night box office was 13. The *Irish Times* wanted less tragedy and more satire from the play to increase its longevity. But 70-odd years on, its plain disillusionment has assumed an aspect of inevitability: "I believe in the freedom of Ireland, and that England has no right to be here, but I draw the line when I hear the gunmen blowin' about dying for the people, when it's the people that are dyin' for the gunmen".

Andrew St George

John McCormack as the poet

Simply Red

WEMBLEY ARENA

You hardly ever come across a pop concert that is as near as dammit perfect. So many things can irritate – the star may have the personality of an insurance salesman; the band may be plugging an album reflecting a change in artistic direction; the venue may be awful and the audience repellent. But Simply Red are currently passing through their Golden Age, or perhaps their Platinum Period, given that their latest album *Stars* is out-selling Michael Jackson, Queen, the lot. Catch Simply Red on tour and restore your faith in pop music.

My irrational dislike of Mick Hucknall, who fronts the band and controls it with the authority of a Spanish traffic cop, an irrationality based on his political posturing; his use of other people's songs – "Money's too tight to mention", "If you don't know me by now" – for the band's hits; and a hair style best suited to Medusa, melted within minutes. He really has a most bewitching voice, as strong as it is pure, as tingly in the higher reaches as it is funky in the lower. He has also written for *Stars* a batch of classic songs, which could have stepped out of a lost late Beatles album, but updated with the soul strains of the 1970s.

And, just to make the cup overflow, he wears a natty suit and a controlling hair band, at least for the first half, and his current love affair is with the European Community (he boasts the EC emblem as a tattoo) which makes his "message", concentrated in the song "Wonderland", so bland as to be acceptable.

Simply Red, or rather Hucknall, delivers the perfect pop video live. There is a touch of gimmickry for old times sake – the inevitable slides of Mrs Thatcher; a restrained fountain of fireworks for the encore, the insidious "Something's got me started" – but the overwhelming impact comes from the music.

Hucknall is the boss but he has hand-picked a superb band which he allows plenty of rope. Gota, from Japan, is about the only drummer I remember actually watching in happy amazement, while Heitor T.P from Brazil proves you can be a guitar giant and not be flash.

Hucknall hardly speaks, but the music pours from him in a well balanced flow, mainly slow songs in the first half then a non stop boogie after the interval. Perhaps it lacks a bit of good honest sweat; perhaps it is as bit too carefully contrived, son-of-Fleetwood Mac music for the happy masses rather than meat for the discerning few, but anyone craving a fix of escapist pop should beg a ticket.

Antony Thorncroft

New World Symphony

BARBICAN HALL/RADIO 3

Not the Dvořák, but a young Miami-based orchestra – "America's musical academy" – inaugurated four years ago by the LSO's conductor Michael Tilson Thomas: it employs outstanding players who have completed their studies, but haven't yet joined full-time orchestras. They appeared at the Barbican on Friday and Sunday. Unfortunately I chose the wrong concert, the second, for the sake of the advertised *Of Men and Mountains* by Carl Ruggles (ruggedly original, almost unknown in Britain). They didn't play it, but replaced it with Copland's *Billy the Kid* suite: thin stuff, in all conscience, and not much of a musical exercise for the band.

It was entertaining to hear, with its gun-battle for percussion near the end. So was Gershwin's Second Rhapsody, which was a showcase for Tilson Thomas as solo pianist (hard, brilliant, unrelaxed); the New World players got to show off their big-band skills. But again, this is little more than bottom-drawer Gershwin, for all its feverish glitter; and by the interval, all we had learned about the orchestra was that they are keen and highly proficient, and that their current first trumpet is quite remarkable.

The serious challenge, and indeed a daunting one, came with the Fourth Symphony of Charles Ives, in which the London Philharmonic Choir joined. It is a dense, recklessly inventive work from 1916: plenty of familiar Ives devices the hymn-tunes, the distorted town bands, the suspended Impressionism – but used on a grand scale, heedless of performing difficulties, and to almost supra-musical ends. Certainly it is as much epic music-theatre as music, for prophetic Transcendentalist fervour supplies its main drift, in towering waves of sound and fragile, momentary bubbles. Eddying around it, however, are any number of vivid, disparate musical ideas, which need to be brought sharply to life if the score is to work.

When I came home and found that the delayed Radio 3 relay was still going on, I discovered how expertly Tilson Thomas had differentiated Ives' strands, with ready responses from his players, and how well he directed them forward. That had been harder to tell at the Barbican. The second and fourth movements of this symphony pile lines upon lines upon lines, usually fortissimo; in the bright, up-front acoustic of this hall, they soon clotted into indeterminate roars. For home listeners, the BBC engineers and their many microphones sorted that out very well. On the spot, we were impressed but blankly overwhelmed.

David Murray

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Tamas Gal conducts the Budapest Symphony Orchestra in music by Kodaly, Brahms and Bartok. In the Kleine Zaal: Shostakovich Trio plays piano trios by Smetana and Dvorak. Tomorrow and Thurs: Riccardo Chailly conducts Schoenberg and Bruckner (6718 345)
Muziektheater 20.00 Louis Langrée conducts Offenbach's Les brigands, also tomorrow. Thurs: Die Frau ohne Schatten. Fri: Nederlands Dans Theater (6255 455/credit card bookings 6211 211)

■ ANTWERP

De Vlaamse Opera 20.00 Elgar Howarth conducts Tom Cairns' Opera North production of Tippett's King Priam, with a cast led by David Pittman-Jennings, Susan Bullock, Linda McLeod and John Graham-Hall. Repeated on Thurs and Sat (233 6685)

■ BARCELONA

Gran Teatre del Liceu 21.00 Mark Ermler conducts Gilbert Deflo's production of Tchaikovsky's Pique Dame, with a cast including Sergey Leiferkus, Jan Blinkhof, Natalia Romanova, Leonie Rysanek and Claire Powell. Repeated on Fri (412 1466)
Teatre Municipal Girona 22.00 Albert Argudo conducts the Orquestra Simfonica Del Valles in a programme including Mozart's Symphony No 41 and Beethoven's Seventh (972-201133). Thurs in Palau de la Musica: Ivo Pogorelich. Fri, Sat, Sun: concerts by Barcelona City Orchestra (268 1000)

■ BONN

Oper 20.00 Dennis Russell Davies conducts Jean-Claude Riber's production of Die Zauberflöte, with a cast including Matthias Hölle. Deon van der Walt and Barbara Bonney.

Tomorrow: Ronald Hynd's ballet Rosalinde, music by Johann Strauss. Thurs and Sun: Peter Schneider conducts Willy Decker's production of Orfeo ed Euridice (773667)

■ DRESDEN

Semperoper 18.00 Friedemann Layer conducts Lulu, also Fri. Tomorrow: Cosi fan tutte. Thurs: ballet triple bill. Sat: Fidelio. Sun: Arnold Ostman conducts Cenerentola, with Kathleen Kuhlmann (4842 731).

Sat and Sun in Kulturpalast: Theo Adam sings Frank Martin's Six Monologues from Jedermann, with the Dresden Philharmonic Orchestra conducted by Jörg-Peter Weigle (4866 306)

■ FRANKFURT

English Theater Kaiserstrasse 20.00 Willy Russell's musical play Blood Brothers. Daily except Mon till Feb 29 (2423 1620)

■ GENOA

Teatro Carlo Felice 20.30 Roberto Abbado conducts John Copley's production of La bohème. Also Fri, Sat and Sun (589329)

■ LONDON

Royal Festival Hall 19.30 Vladimir Ashkenazy conducts the Royal Philharmonic Orchestra in Delius' On Hearing the First Cuckoo in Spring, Sibelius' Violin Concerto with Midori and Vaughan Williams' Fifth Symphony. Ashkenazy conducts an alternative programme on Fri. Tomorrow: Young Musicians Symphony Orchestra. Thurs: Franz Welser-Most conducts the LPO (071-928 8800)
Queen Elizabeth Hall 19.45 John Eliot Gardiner conducts the Orchestre Revolutionnaire et Romantique in a programme of French choral music including Fauré's Requiem, with Catherine Bott, Gilles Cachemaille and the Monteverdi Choir. Tomorrow: Academy of St Martin in the Fields (071-928 8800)
Barbican 19.45 Christopher Adey conducts the London Schools Symphony Orchestra in Martinu's Third Symphony, Janacek's Sinfonietta, and works for violin and orchestra by Vaughan Williams and Howells, with Lorraine McAslan. Thurs: Maria Ewing sings Strauss' Four Last Songs (071-638 8891)
Covent Garden 19.30 Peter Wright's Royal Ballet production of Giselle, with Sylvie Guillem. Tomorrow: Cosi fan tutte. Fri and Sat: La fille mal gardée (071-240 1066)
Coliseum 19.30 James Holmes conducts Richard Jones' ENO production of Die Fledermaus, also Sat. Tomorrow and Fri: Xerxes. Thurs: first night of David Pountney's new production of Humperdinck's Königskinder (071-836 3161)

■ MUNICH

Philharmonie 20.00 Georg Solti conducts the Bavarian Radio Symphony Orchestra in Mendelssohn's Italian Symphony and Shostakovich's Tenth (558080). Tomorrow, Thurs and Sat: Sergiu Celibidache conducts Wagner and Bruckner (48098 614)
Staatsoper 19.30 Hansel and Gretel. Tomorrow: ballet triple bill, with choreographies by Ohad Naharin and others. Fri and Sat: John Cranko's Taming of the Shrew. Sun: first night of new production of Il trovatore, conducted by Giuseppe Sinopoli and staged by Luca Ronconi (221316)
Gärtnerplatztheater 19.30 Hansel and Gretel. Tomorrow: Fiddler on the Roof. Thurs: Le nozze di Figaro. Fri: Entführung (201 6767)
● A selection of theatre and concert tickets is available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11

■ PARIS

Palais Garnier 19.30 Reinhard Goebel directs Musica Antiqua of Cologne in music by members of the Bach family. Tomorrow: Ballet de Marseille in Sleeping Beauty (4017 3535)
Théâtre des Champs-Elysées 20.30 Katia Ricciarelli and Alessandro Safina, accompanied by Vincenzo Scalera, sing arias and duets by Verdi, Donizetti, Cilea, Puccini and others. Tomorrow: Yo-Yo Ma and friends play Brahms chamber music (4720 3637)
Châtelet 20.30 Armin Jordan conducts the Ensemble Orchestral de Paris in Dutilleux's Mystère de l'instant, Ravel's Mother Goose and Britten's Serenade for tenor, horn and strings, with Robert Tear (4028 2840)
Opéra Comique 19.30 William Christie conducts Les Arts Florissants in Jean-Marie Villégier's production of Lully's Atys. Also tomorrow, Fri and Sat (4286 8883)

■ WASHINGTON

Kennedy Center Opera House Tonight at 20.00, Pacific Northwest Ballet opens a week of performances with the world premiere of Lar Lubovich's American Gesture. Other repertory includes Balanchine's Rubies and A Midsummer Night's Dream, plus Bournonville Variations. Daily till Sun (416 4600)
Kennedy Center Concert Hall Tonight at 19.00, Mstislav Rostropovich conducts the National Symphony Orchestra in Beethoven's Violin Concerto (soloist Uto Ughi) and Artyomov's new symphony. Rostropovich conducts another programme on Thurs, Sat and next Tues. Sun: Gennadi Rozhdestvensky conducts the Moscow State Philharmonic Orchestra (416 4600)
Washington Opera Tonight's performance is Savage Land, a 1987 opera by the Chinese composer Jin Xiang (runs till Feb 9, with next performances on Thurs, Sat and next Mon). Tomorrow is the final performance this season of Les Contes d'Hoffmann (416 7800)
Fords Theater Zora Neale Hurston: Laurance Holder's play opens tonight in a production by Wynn Handman. It chronicles the rise and fall of the literary career of the most prolific African-American writer of the 1920s and 30s, who was known as the Queen of Harlem Renaissance. Runs till Feb 23 (3470 4833)
Wooly Mammoth African Tourist: Drury Pifer's play, directed by Howard Shalwitz, is a complex political mystery set in South Africa, depicting a society in which control of information, rather than the truth, is the key to survival. Runs till Feb 16 (393 3939)

■ ZURICH

OPERA
Tonight at 19.30 in the Opernhaus, Rafael Frühbeck de Burgos conducts La bohème, with a cast including Sona Ghazarian and Boiko Zvetanov, also Sun. Tomorrow and Sat: ballets by Bertrand d'At and Bernd Roger Bienert. Thurs: Die Zauberflöte. Fri: La forza del destino (252 0909)
CONCERTS
Tonight at 20.15 in Theater 11, Jonathan Brett-Harrison conducts the Zurich Chamber Orchestra in music by Britten, Elgar, Hindemith and Mozart (252 1737). This week's programme in the Tonhalle includes Haydn's Creation on Wed and Fri (201 1580). On Sun, the Labeque Sisters are soloists in a concert given by the Zurich Chamber Orchestra (252 1737)

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MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
2130-2200 (Thurs) Talking Heads – International issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week – a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
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Tuesday January 28 1992

New ideas on nuclear arms

OF ALL the risks associated with nuclear weapons, the break-up of a nuclear power was one that nobody contemplated. In recent months, the search for reassurance on the nuclear front has been a prime focus of east-west diplomacy.

The subject will be high on the agenda at Friday's UN Security Council summit and involves ensuring a centralised, trustworthy command system for the former Soviet Union's nuclear arsenal; securing the non-Russian republics in their stated non-nuclear intentions; preventing the leakage of weapons, parts or expertise to would-be proliferators; and keeping Russia to the promises and treaty commitments made by Mr Mikhail Gorbachev to withdraw and destroy much of its stockpile. It is hoped that these plans will be extended in response to further US arms reductions.

There is scope for western governments to help the republics fulfil these aims. The cost of some measures would be marginal; even the more expensive would be cheap compared to the cost of failure. If necessary, the west should be prepared to make financial aid contingent upon co-operation in de-fanging the nukes.

The US congress has authorised $400m of Pentagon funds to help with storage and destruction of Soviet nuclear arms, a sum not yet taken up. It is perhaps not surprising that the Russians should hesitate before handing over responsibility for dismantling their most secret weapons. But there are other ways in which the US and its allies can help, and which can be made acceptable to the recipients.

Some 13,000 of the ex-Soviet Union's 27,000 deployed nuclear warheads are already on the elimination list. Using current Russian facilities, it would probably take 10 years to cope with them. In addition to these and subsequent arms-control cuts, there are thousands more old weapons in storage that need dealing with.

Central storage

The safest first step would be to ship all the weapons due for elimination to central storage in Russia. The west could assist in setting up a team to carry out inventories and in arranging for weapons to be transported, grouped and disabled so that they cannot be fired.

More ambitious would be a western-built plant for the complex business of disassembling the weapons. This entails dangers both for security – keeping track of fissile materials and parts such as triggering mechanisms and guidance systems which proliferating nations would be only too keen to lay hands on – and for the environment. A programme would also be required for recycling weapons-grade uranium into civil fuel and for handling the plutonium warhead cores.

Foolproof precautions

A case can be made for leaving the nuclear materials in the weapons, as a lesser risk if foolproof precautions cannot be secured.

Either way, there would be a need to place stored warheads or materials under some agreed form of supervision. This could be done by the International Atomic Energy Agency, but that would require a big increase in its $75m-a-year inspection budget.

A further target for western financial help involves Russia's own nuclear weapons community. There are reckoned to be tens of thousands who could be of use to a country seeking nuclear arms, including 5,000-7,000 experienced in specific weapons-related technology.

Suggestions that the west might pay such scientists and technicians directly – for instance in projects for cleaning up pollution from the Soviet weapons programme – should not be dismissed as madcap. Direct assistance for what would be tantamount to a selective welfare scheme might raise political objections in the US, but it could be carried out indirectly through an international organisation. Russian officials have suggested $1,000 a month would be enough to persuade a scientist to stay put. At that rate, several thousand could be employed for the next 20 years for much less than it would cost Britain to procure a new sub-strategic nuclear missile for its air force. In terms of the security it would buy, it would be good value.

Facing down the telephone cartel

A BLIND SPOT in the UK government's largely enlightened telecommunications policy has been its failure to introduce competition in international communications. Last year's White Paper abolished the BT/Mercury Communications duopoly for domestic communications but did not open the door to competition for carrying international calls.

Ministers' intentions to open up the international market to "re-sellers" – which lease telecommunications capacity in bulk and then sell it on to customers – will go some way to remedy this defect. But the government's inclination not to allow competitors to build their own networks is disappointing. The recent licence application by Sprint, the third largest US long-distance telecommunications carrier, will put this policy to the test.

The market for international calls, where cartel practices keep call charges at about three times costs, is more in need of competition than any other part of the telecommunications sector. Even in the UK, competition between Mercury and BT has had only a modest success in bringing prices down. Although re-sale would exert further downward pressure on prices, this is likely to benefit only large business customers.

Full network competition, on the other hand, would bring benefits to the whole economy, as well as exerting downward pressure on underlying costs. The construction of more fibre-optic cables landing in Britain would also enhance the UK's position as Europe's telecommunications hub.

Paradoxically it is the industry's cartel practices which make it difficult for the government to open up the market. But doing nothing will only serve to delay the cartel's demise.

Closed markets

One concern is that most foreign telecommunications markets are closed to British companies. Rather than use this as an excuse, ministers' response could be to award licences to those companies which are not able to rig competition by relying on unfair advantages at home.

Some argue that no foreign governments would pass this test because no market is fully open. Even the US – and therefore Sprint – would be barred because it imposes a heavier regulatory burden on foreign telephone operators than on US ones.

Such a purist attitude would be a recipe for stagnation. It takes no account of the fact that the US has recently agreed to change these regulations. It also ignores the fact that foreign companies are able to operate in the US, as shown by Cable and Wireless's long distance network and BT's US-based Syncordia venture which aims to sign up multinational business customers.

Distorting competition

Another concern is that granting a foreign telephone company an international licence might distort competition in the UK. This is principally because of the arcane accounting rate system which determines how much telephone companies in one country pay their counterparts in other countries for delivering international calls.

The particular fear is that the foreign company would discriminate in favour of its UK affiliate by charging it less for delivering calls from Britain than it charges BT and Mercury, and by giving its affiliate all its international traffic to deliver in the UK, bypassing the British operators.

Again, although such fears have some validity, the response should not be a blanket ban on new network competition. It is possible to imagine a range of different safeguards to prevent foreign companies distorting competition in the UK. Some have already been pioneered in the US market, such as requiring all international operators to agree the same accounting rates in dealing with foreign carriers to guard against discrimination.

The government should therefore award full network licences to any applicants which can show that they will not distort competition. Rather than being defeatist in the face of cartel practices, it should use its imagination to open up a part of the market which is crying out for competition.

David Lascelles reports on progress towards a carbon tax in the European Community

A mission to make the polluters pay

Mr Carlo Ripa di Meana, the European Community's environment commissioner, calls it "a turning point in our whole environment policy". Others see it as the EC shooting itself not just in the foot but both feet at once.

Mr Ripa di Meana's plan to introduce a carbon tax as part of a package of measures to combat harmful emissions is one of the most ambitious fiscal and environmental moves that has yet been contemplated within the EC. If it succeeds, it will force consumers throughout the Community to cut back on dirty forms of energy like coal and petrol and, in the process, raise huge revenues – according to EC estimates, as much as Ecu60bn-Ecu65bn (£43bn-£46bn) – which could be recycled to reduce other taxes.

Although the plan has already made much more headway in Brussels than many people had expected when it was unveiled last year, it still faces huge obstacles. Large segments of industry are bitterly opposed to it, the EC's international trade lobby has denounced it as a self-imposed handicap, and tax experts have criticised it as a regressive step, because poor people allocate a larger part of their household budgets to fuel. There is even a body of opinion which doubts that it would work at all.

None the less, Mr Ripa di Meana hopes to secure political backing from his EC colleagues for a detailed plan by late spring. He is encouraged by the fact that it has already survived several ministerial councils, through which policy proposals have to pass, including those of the economics and finance ministers. Being a fiscal measure, however, the proposal will still have to go through the EC Parliament and receive unanimous approval from the Council of Ministers.

An important meeting of the ministers most closely involved – the energy and environment ministers – in December gave it the green light, although with a distinct yellowish tinge. The EC had hoped to come up with a statement that the tax *will* form the basis for the Community's attack on global warming. Instead, the best ministers could agree was that it *is likely* to do so.

The timing for Mr Ripa di Meana is crucial. He wants to be able to attend the UN "earth summit" in Rio de Janeiro in June brandishing a piece of paper to prove that the EC is doing its bit to save the environment. This would put pressure on the US and Japan to adopt a similar tax and help him pacify his critics back home. But he also realises that if he fails to win international support his whole plan could, in his own words, become "a fiasco".

Mr Ripa di Meana's proposal, worked out in conjunction with Mr Antonio Cardoso e Cunha, the EC energy commissioner, marks a departure from the earlier trend of tackling environmental problems through rules and regulations. But the intention is that the tax should be based on the same principle: the polluter pays.

It would take the form of a combined energy and carbon tax to be introduced in 1993 at the rate of $3 per barrel of oil – current price, about $18 a barrel – or its equivalent in other fuels. The tax would rise by $1 a year to $10 in 2000. By driving up fuel costs in this way, the tax would force users to become more efficient.

The tax would be based on both the carbon and overall energy content of fuel. The carbon element would penalise fuels with high emissions of carbon dioxide, the gas widely blamed for global warming. The energy content would encourage greater energy efficiency, and tilt the balance in favour of renewable forms of energy such as hydro and wind power.

Mr Ripa di Meana concedes that the tax would place a heavy burden on energy-intensive industry, so he is willing to exempt heavy sectors such as steel and cement. But special treatment would be removed if leading industrial countries outside the EC introduced similar taxes.

Ripa di Meana: 'This is a chance to make European industry a leader in a green-oriented market'

Another sweetener is Mr Ripa di Meana's proposal that the carbon tax should be fiscally neutral – that all revenues should be used to offset other taxes. As the tax would be collected at national level, member states could decide for themselves how to spend the revenue windfall. Because of this, the plan is being presented as a "tax shift" rather than a new tax.

Mr Ripa di Meana's best chances of getting his tax lie in harnessing to the rising tide of popular concern about pollution and global warming. Not surprisingly, his strongest supporters include the environmental and energy conservation lobbies, and these could be marshalled into a powerful – if rather diffuse – political force.

But arrayed against him is a large number of the EC's powerful industrial lobbies and trade groups, which argue that self-regulation would be a better means to the same end. Among them is Euroelectric, the trade group representing the EC electricity industry which would be the sector most affected. According to the group's Brussels lobbyist, Ms Angelika Riedl, the plan would harm EC growth prospects and distort international competition by pushing up industrial costs.

The competitiveness issue may prove Mr Ripa di Meana's biggest stumbling block. By his department's own calculations a $10-a-barrel tax would push up the price of industrial gas by a third and of hard coal by nearly 60 per cent. In transport, the price of petrol would rise by 6 per cent and of diesel by 11 per cent.

At present, Japan and the US do not seem prepared to make more than vague commitments to follow suit, although they may dress them up in Rio so as not to appear obstructive. Japan argues that its emissions regulations already set standards that are at least as good as those that the carbon tax would achieve, so it does not need a tax. In the US, the imminent election rules out any fresh taxes by the Bush administration.

The question is whether a future US president might be prepared to break the long-standing political taboo against energy taxes. Mr Rafe Pomerance of the Washington-based World Resources Institute, which specialises in climate change, believes that an EC initiative would ease the US's own concerns about competitiveness, and add credibility to the concept of a carbon tax. "1992 could be the year when this concept works its way into the political debate." However, this would be too late for Rio.

There is also dissension within the EC itself over the tax.

A big concern in Spain, one of the main opponents of the tax, is the effect on its languishing coal industry. Other big coal producers, such as the UK and Germany, have similar reservations. On the other hand, the Netherlands, which has large deposits of natural gas, a relatively environment-friendly fuel, is a strong supporter. France, with the largest nuclear power industry in Europe, also stands to benefit. However, the bargaining over the details would ensure that the impact was even across member states.

Opponents of the tax are likely to concentrate their fire on remaining doubts about global warming. Although fears about the greenhouse effect have gripped the popular imagination, the scientific evidence is still being reviewed. Earlier this month, the UN's Inter-governmental Panel on Climate Change revised its forecasts of the greenhouse effect downwards, saying that the extent of global warming might be 20 per cent less than originally forecast.

These doubts are shared at high levels within the EC Commission, including the energy directorate, which is basing its case for the tax on energy efficiency rather than environmental grounds. Mr Cardoso speaks of the need to jolt people into better energy habits.

But if energy efficiency is the goal, the EC will still need to persuade people that a tax is the best way to go about it. The industrial lobbies have pointed out that there are plenty of other ways of bringing about energy savings, such as removing subsidies for coal and nuclear power, and ending tax breaks for car owners.

There are also doubts as to whether the tax would deliver the promised benefits. Energy consumers have a well-documented capacity for absorbing price rises. Mr Cardoso admits that he would prefer to introduce the tax all at once so as to administer the "price shock" he wants, rather than phase it in gradually. But this may be politically controversial, and the fact that the largest energy-consuming industries would be exempted further undermines the tax's likely impact. The record of Scandinavian countries, which have already introduced carbon taxes, is inconclusive (see below).

Mr Ripa di Meana, therefore, faces a tough battle. One solution might be to soothe industry's objections with a commitment that all carbon tax revenues would be recycled into cuts in corporation tax, or in VAT on insulation and environment-enhancing materials. In the longer term, EC industry might even benefit from the changes by becoming more energy-efficient than foreign competitors.

"This is a chance to update European industry and make it a leader in a green-oriented market," says Mr Ripa di Meana. But while broad public opinion may agree with that view, he will have to convince some powerful lobbies that his tax is an opportunity as well as a cost.

Tax takes its toll in Sweden

Sweden's tax on carbon dioxide emissions, introduced last year as part of wider tax reforms, is being strongly opposed by industry, writes Robert Taylor.

Already suffering under a recession, the country's industrial groups argue that the high energy taxes they face put them at a competitive disadvantage vis-à-vis international rivals.

Among energy taxes, the carbon dioxide tax – aimed at stabilising the amount of carbon dioxide emissions at the 1990 level until 2000 – is the principal irritant.

The charge was imposed on carbon dioxide emissions from petrol and diesel fuel, natural gas, liquefied petroleum and kerosene. The tax amounts to 4 cents per kilogram of CO_2, in effect a tax increase of 9 cents per litre (22p per gallon) of petrol. Peat, methanol, ethanol, waste-derived fuel and biomass have been exempted from the tax. It is estimated that the tax will raise as much as $2bn in its first year.

The carbon dioxide tax has added substantially to costs for industrial consumers: the cost of a cubic metre of heating oil has risen by SKr720, an increase of 20 per cent; a tonne of coal now costs 40 per cent or SKr620 more; the cost of natural gas has risen by Skr535 per cubic metre, up by 30 per cent; and gasoline costs SKr750 a tonne more, a rise of 20 per cent.

A recent parliamentary investigation into the impact of the energy taxes on industry recommended that the tax should be cut by as much as 80 per cent.

The study said the tax was costing industry some SKr20bn a year in potential exports and had already led to the loss of some 10,000 jobs.

But any sweeping reduction of the tax is likely to be resisted by the pro-environment Centre party, an important member of Sweden's coalition government.

The government is expected to deliver its response to the parliamentary committee's recommendations by spring. But a compromise will almost certainly have to be thrashed out by then to satisfy the competing claims of industry and that of the Centre party.

The Centre party, whose leader, Mr Olof Johansson, heads the environment ministry, believes the EC's proposed environmental package itself is not tough enough.

OBSERVER

Gift of tongue

■ As next boss of the UK arm of Unilever, Michael Perry has an important advantage over fellow-Brits who've held the job before. He speaks Dutch, and so can converse with his counterparts at Unilever NV in their own language.

Having joined Lever Brothers as a management trainee 35 years ago, Perry spent his early years as a brand manager in Holland and two thirds of his career has been overseas. But by the time he became president of Unilever (Japan) his interest in extending his linguist skills had subsided.

Although Perry cannot be regarded as a mere caretaker chairman of the group's British undertakings, he is less than four years younger than Sir Michael Angus, who steps down as chairman in May. With Morris Tabaksblat's name pencilled in as the eventual successor to Floris Maljers, chairman of Unilever NV, 46-year-old Niall FitzGerald seems to be the frontrunner to succeed Perry. If he did, he would have more time to impose his mark on the business.

Not that Angus shows signs of wanting to cut his workload as he nears retirement.

He is increasingly involved in sorting out the problems of National Westminster Bank, and over the next few months will take on the chairmanship of Whitbread and the presidency of the Confederation of British Industry. If British Airways ever sealed the knot with KLM he would make an ideal chairman of the mega-carrier. But does he have time to take on yet another big job?

Surprise move

■ Once upon a time the NatWest itself was a great British institution like Unilever, with its management succession seemingly cast in stone. However, yesterday's boardroom upheavals there are the surest sign yet that chairman Lord Alexander plans a radical overhaul of the troubled bank's top team.

By promoting NatWest golden boy Derek Wanless to be one of two new deputy group chief executives, he has leapfrogged a generation of NatWest bankers who might have felt they should have been given a chance of succeeding Tom Frost, the present NatWest chief executive, who has been doing the job since 1987.

Frost is 58 and due to retire in August 1993, but his period at the NatWest helm has not been a happy one and it would not be a surprise if he took early retirement. Like NatWest finance director John Burns, who is going to the TSB, Frost could be forgiven for opting for a quieter life.

Wanless, a Geordie who took a first in mathematics at Cambridge, may be just the new breed of banker NatWest needs to set it back on course. But he has not spent all of his time just piloting NatWest through the retail banking revolution.

Besides being an enthusiastic supporter of Aldershot football club, he is an Eric Clapton fan, regularly attending rock concerts. Perhaps of greater note to NatWest's rivals in the banking world is that he is also an outstanding chess player.

Yesterday he modestly tried to play down a widespread legend among his company colleagues that, at the peak of his powers, he could beat 20 simultaneous challengers blindfolded. "If it ever was true, it is not true these days," he said.

"Goodbye Piccadilly, farewell Leicester Square..."

Goodbye Gus

■ Few will be down in the mouth to hear from sources well placed to know that we shall not long need to wrap our tongues around one of the unhappier pieces of recent verbal coinage: the Commonwealth of Independent States, alias what used to be most of the Soviet Union.

Whatever language it comes in, the title for the uneasy bedfellows of the former Soviet empire is clumsy and cumbersome, besides being virtually meaningless in lacking any geographical indicators. In the UK in particular, it has the added snag of engendering confusion with the British Commonwealth, and the acronym CIS is at least as bad, having hitherto referred to the Charter Institute of Secretaries and the Cooperative Insurance Society.

In Germany the acronym is the rather more helpful and familiar GUS, for the Gemeinschaft Unabhängiger Staaten. But it is nevertheless already falling out of fashion in high places.

"We are no longer referring to GUS," a senior German finance ministry official confided. "We only talk about the countries of the former Soviet Union. I'm afraid we don't believe it is going to last that long."

As by far the biggest single creditor of the "countries of the former Soviet Union" (CFSU?), Germany should know best. So long, GUS – or alternatively, CIS transit gloria mundi.

Looney Toons

■ As Boris Yeltsin announces that his missiles are facing away from US cities, what better way to celebrate than by sitting down with a six-pack and pizza and tune into Time-Warner's 18 hours of television offerings? 'Warner Week' is currently beaming into 200m homes in the erstwhile Soviet Union on Ostankino's Channel 1 (formerly Gostelradio).

Highlights of the night shows include the gangster action movie, Bonnie and Clyde, and the The Postman Always Rings Twice, a cinematic tale of murder and betrayal. Ostankino gets the programming free; Time-Warner gets three minutes of advertising each hour. The Looney Toons cartoons are on future menus for the hapless ex-Soviets.

Clearly, the lessons of capitalism are being learnt fast.

If at first...

■ When two Canadian hunters returned to their hired seaplane dragging a huge moose, the pilot first refused to risk taking off with so heavy a load. The pair shamed him into it by saying a rival pilot hadn't feared to carry as big an animal shot nearby a year earlier.

The plane failed to rise, however, crashing into the lakeside, luckily with no serious injuries, although stunning one of the hunters who woke up asking: "Where are we?"

"Back where we were a year ago," said his partner.

John Willman, Alison Smith and Richard Tomkins on the difficult relaunch of the Citizen's Charter

Still waiting for the revolution

When the prime minister, Mr John Major, launched his Citizen's Charter in March 1991, he said that its aim was to improve "every part of the public services".

Standards would be set out in "clear contracts of service – contracts which mean something". There would be "financial sanctions, [with] direct compensation to the public or loss to the budgets of those that fall down on the job".

This was Mr Major's big idea, and it represented a distinctive break with the policies of his predecessor. Mrs Thatcher appeared to believe that public services should provide a basic service for people who could not afford to pay their own way.

But yesterday's bullish relaunch of the Charter cannot conceal the difficulties which have been encountered in turning the idea into reality.

Certainly there has been considerable activity since detailed plans were set out in last July's white paper on the Citizen's Charter.

One highly visible result has been a flood of charters, covering everyone from benefits claimants to users of the Scottish courts. Another is that more public servants are wearing name badges, a measure which Mr Francis Maude, the Treasury minister in charge of the Citizen's Charter, believes will make a profound difference to the quality of service.

"Being identified makes people behave differently," he says. "The individual can't shelter behind the anonymity of the machine."

There are measures in the legislative pipeline which will strengthen the powers of regulators to set service standards for the privatised utilities. And

Charters will be revised, ratcheting up the standards year by year

the government has tabled plans for more performance-related pay for people working in the public service.

But the success of the Charter will be measured by its achievements in the core public services which are widely seen to have declined in recent years: the three "Ps" of parents, patients and passengers.

Charters have already been published covering the first two, but they demonstrate the difficulty in satisfying the prime minister's desire to provide clear contracts of service which mean something. Seven of the 10 points in the Patient's Charter, for example, restate existing entitlements of limited appeal, such as to be registered with a GP or to be kept informed of treatment.

The only significant new guarantee is that from April 1992 no patient will have to wait longer than two years for an operation once he or she has seen a consultant. However, there is no time limit on the delay before seeing a consultant (this can be six months or more). Worse, recent figures on NHS waiting lists suggest that the two-year guarantee is lengthening the delays for operations where waiting times are less than one year.

Those involved in the Charter point out that this is only the first step in a process of changing the culture of the health service, so that its priorities are set by the customers rather than those working in it. The Charters will be revised regularly, ratcheting up the standards year by year – so that, for example, the maximum waiting time for an operation will soon be reduced from two years to 18 months, with further reductions later. But at some point, providing acceptable levels of service will almost certainly need extra resources, a point that ministers are reluctant to concede.

The delay in producing the third of the three Ps – a Passenger's Charter for British Rail customers – reveals the difficulties in meeting Mr Major's aim of financial sanctions when charter pledges are not honoured. Promised for last autumn, the Passenger's Charter has become bogged down in the difficulty of finding money to fund the scheme.

The Treasury is not going to underwrite it: that would rather defeat the point. But if BR has to find the money from its own resources, it must come from lower investment or higher fares – in either case, rebounding on the people it is intended to help.

Instead, therefore, the emphasis will be placed on prevention rather than cure. Thus, on Network SouthEast – the most troublesome part of the railway – the plan is to give each of the 15 principal routes an individual, achievable target for punctuality and reliability, and to give commuters a discount on the cost of renewing their season tickets if the targets are not met. Each line's performance will be measured as a moving average, so that managers can counteract any downward blip with a big effort to restore performance.

People making individual journeys may be disappointed to find that compensation is no more generous than the semi-secret system operating already, except that it will be more open and less arbitrary. The only significant difference is likely to be the introduction of a self-financing scheme allowing people to buy entitlement to superior compensation rights by paying a premium in the form of a reservation fee.

Ministers acknowledge that one reason for the difficulty in agreeing an acceptable Passenger's Charter is that the government does not control BR in the same way as it does the health service. The same absence of control has led to similar difficulties in applying the principles of the Charter to local authorities which are responsible for delivering many public services.

For example, it had been hoped to use the charter mark seal of approval as an incentive for local authorities to improve the quality of their services. The very limited charter mark scheme announced yesterday is unable to fulfil this role, partly because ministers realised that they simply did not have enough information to make it work.

Ministers are also conscious that a consumer satisfaction sanction exists already: what incentive is a government seal of approval compared with the prospect of re-election?

The engine for change in local services is now seen as the new powers and duties of the Audit Commission, the local government watchdog. It will be able to specify performance indicators and produce league tables to identify good and bad performers.

However, the Commission estimates that it will need probably five indicators, such as value for money and the amount of service provided, for as many as 40 service areas. A limited range of "bell-wether" statistics could be chosen as key indicators, but that would encourage different interests to pick their favourite statistics from the information available. The system could become incomprehensible to the people it was intended to benefit.

Whatever the sophistication of the indicators, there are still difficulties in comparing the effectiveness of services. How, for example, can fair comparisons be made between a council which provides high-quality nursery education for a few children and one that provides it for almost every child but does so less well?

Other problems in making the Citizen's Charter work have resulted from the inclusion of bright ideas in the white paper which have proved difficult to implement. For example, little progress has been made so far on plans to set up a network of local lay adjudicators to deal informally with complaints over public service failures.

A consultation paper on the idea, promised before the end of 1991, has yet to appear because of two problems:

- the multiplicity of existing compensation schemes for the public service – many of them statutory and not therefore easy to subsume in a uniform lay adjudicator scheme;
- the resistance of the Treasury to funding a scheme – even a simple free telephone number which could provide complainants with information of the channels for complaint.

When the consultation paper does emerge, the scheme will be all "lay" and no "adjudicator", as one insider puts it. The likelihood is that the scheme will amount to little more than a network of local worthies who point disgruntled consumers of public services towards the appropriate channels.

Perhaps this is not surprising, given the experimental nature of much of what the government is doing.

"We are on a voyage of discovery into uncharted waters," says Mr Maude. "No government has tried to do anything like this before, and it is inevitably a process of evolution."

But the achievements of the first six months since the Citizen's Charter white paper was published must be judged against the prospectus set out by Mr Major when he first launched the idea. Apart from a lot of paper, it is hard to see much which could not have been achieved without a Charter. It certainly does not yet amount to a revolution in the public services which puts the consumer in the driving seat.

Joe Rogaly

Case for February

The correct time to announce a general election is today. At once. Immediately. Before any further ado. Straight away. Or, as some residents of Calcutta would put it, in the wonderful improvement on English that they have evolved, "now itself".

I say this because we already know more than most of us want to about the merits of the contesting parties. Let's get it over with. It would be surprising if Mr John Major were to do any such thing, but you never can tell. One of his senior ministers remarked recently that he thought the 1992 election would be "our revenge on Labour for February 1974". February? Does he mean *February?* Surely not.

The two largest parties each attracted 37-per-cent-plus-a-fraction in the February 1974 election, but the Conservatives won the larger fraction. This translated into a national lead of some 225,000 votes. Under Britain's idiosyncratic electoral system this clear Tory victory produced a Labour minority government, based on 301 parliamentary seats against the Conservatives' 297. At that time 318 seats constituted a majority, so the *Liberals* had to help prop Labour up. In the October re-run the Tories lost nearly 1.5m votes and 20 seats, and Labour moved ahead to 319. This put the country under five years of mismanagement by the worst Labour government ever to hold office.

I cannot say which of these events the above mentioned minister imagines will be the subject of revenge – the inversion of the electoral arithmetic; the coincidence of two elections in one year; a switch in Liberal support; or the subsequent confirmation in power of, on his logic, one of the poorest-performing Conservative governments of the century. Any of this is possible. What persists is the February question.

The case against an immediate election is that to go now would deprive the government of one of its strongest potential weapons, namely a budget that would seek to buy votes with the electorates' own money. The case in favour is that the chancellor would be absolved from the temptation to offer an outrageous bribe, such as an unjustifiable cut in the standard rate of income tax.

Perhaps the Tories can persuade themselves that they can win without doing the indecent thing. They are clearly on a roll. Voters have been frightened by blatant, ruthless, and lying propaganda into believing that Labour will increase taxes for ordinary wage-earners. This has been achieved almost too easily. The Conservative tabloids have cast aside pretensions to honest journalism or democratic principles. They have become propaganda pamphlets for central office.

There is plenty for them to crow about. Mr Major – a trump card – is spending this

The chancellor would be absolved from the temptation to offer an outrageous bribe

week high in the headlines. There was, first, Sunday's masterly appearance on the BBC's Desert Island Discs, then yesterday's re-launch of the Citizen's Charter. The prime minister has an opportunity to make news at today's Question Time. That will be followed by Thursday's visit from Mr Boris Yeltsin, and capped by Friday's flight to New York to chair a special session of the United Nations Security Council. Imagine a half-point cut in interest rates at around the same time, and how could anyone resist the temptation to announce a snap election?

The answer, alas, is "quite easily". Mr Major's reason for not calling an election last spring, on the crest of the wave of Tory popularity that followed the Gulf war, is that it would have been the wrong thing to do and that, anyway, the government still had to make good its undertaking to abolish the poll tax. As to an election last November, he had promised to represent Britain at the Maastricht summit in December. This was wise: the probability is that the Conservatives would have lost a November election. If the prime minister persists with this year's apparent game plan, which is April 9 (polls permitting), May 7 (if all else fails), and early July (if he's desperate), he will have no excuse if he loses.

The best reason for ploughing on for a few more months is that he cannot be sure of winning. The FT poll of polls suggests that it would be touch and go. If you take Mori's poll in this week's Sunday Times the responses work out at a Tory overall majority of about 10 seats. In present circumstances, with most of the economic news bad, that would be a triumph for Mr Major.

The FT's average of all polls tells a different story. In December one version of our computer model produced a hung parliament with the Tories the largest party, another a similar stand-off with Labour just ahead. The same is true of the January results to date. Unweighted, the score is 41 per cent Tory, 40 per cent Labour and 15 per cent Liberal Democrat. You need 326 seats to win; our model says that these percentages would leave the Conservatives five seats short of that. If the same results are weighted according to the size of the polling samples, and then averaged once again, the Tories come out at 40.85 per cent against Labour's 40.18 per cent – and the number of Conservative MPs is down to 318, or eight short of the goal.

These mathematical games can be played all day. They become more complicated if you feed in regional differences, although the complexities tend to work out in the Tories' favour. The essence of the matter is that a few weeks of encouraging news do not constitute an election victory. From the government's point of view, that is the case for holding on. Yet there can be no certainty that two more months of politicking, plus a giveaway budget, will further improve the Conservatives' standing. On the political fundamentals – their management of the economy – they should have fallen off the bottom of the chart by now. If they wait, they might. That is the case for daring to go in February.

LETTERS

Tax reductions that would be misdirected

From Lord Vinson.

Sir, A penny off corporation tax in the Budget – as suggested by the Institute of Directors ("Directors urge £3bn reduction in taxation", January 16) – would be money misdirected, besides being of no benefit to the many small businesses that operate as sole traders, whose cash position has also been ravaged by 30 per cent inflation over the last four years.

Productivity may not be everything – but in the long run for a trading nation it is nearly everything. Budgetary concessions for business, then, should be aimed at stimulating investment in productive plant – to help meet demand when the upturn comes.

Singularly in this country we penalise investment by not allowing adequate cost recovery against tax in the year of expenditure – the current 25 per cent diminishing balance rate is far too low.

So any budgetary concessions should be used in this area to improve the cash flow of investing companies – both small and large.

Vinson,
65 Kingsway,
London WC2B 6QT

An unsuitable savings vehicle foisted on public

From Mr Edward Rigg.

Sir, Let us not mince our words. I refer to your article, "Tied agents 'are overselling life policies'" and leading article, "Life policies oversold". The big fraud (I am not mincing my words) is that they are sold at all.

Endowment policies have been demonstrably the most unsuitable of all savings vehicles ever since life assurance premium relief (LAPR) was abolished in March 1984. Nevertheless the life insurance industry has continued to foist them on the public with the aid of questionable sales techniques, and by diverting an outrageously high proportion of savers' cash to its salesmens' commissions.

From the early days of the Financial Services Act the life insurance lobby has fought and schemed to defend its practices, which can plainly be described as designed to "rip off" the public.

The only surprising feature about the rift that has now developed in the Unit Trust Association is that it did not happen earlier. The link that exists between the concept of savings and the concept of insuring one's life should have been severed many years ago.

At long last there have been signs recently that those in high places, including Sir David Walker, the chairman of Securities and Investments Board, have come to realise this and are beginning to question the selling of such policies. Even Fimbra has begun to realise that its role in protecting the investor will be better discharged if it checks the selling of these dubious policies rather than its members' petty cash.

It cannot be stressed too heavily that life insurance policies of the savings kind, such as endowments, and most of their closely related cousins such as regular premium personal pension plans, are a most unwise choice for almost anybody, not just the 30-odd per cent who find they have to cancel them within two years.

Edward Rigg,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Diesel not least polluting

From Mr David Parker.

Sir, The balance that John Griffiths strikes ("Technology: diesel cleans up its act" January 21) between diesel and petrol on their "cleanness" is slightly misleading. Diesel is cleaner in some respects than present petrol-driven engines, but much of this advantage disappears from the end of this year, when all new petrol-driven cars will be fitted with 3-way catalysts, reducing exhaust emissions by more than 90 per cent. Diesels emit "particulates" – a fine dust, mostly carbon, which can sometimes be seen as a smoke. This happens even when the engine is well-tuned. Diesels also produce a high level of nitrous oxides. The technology to handle these diesel emissions is progressing but so far is not nearly as well developed as that for petrol exhausts.

Conventional wisdom on diesels is that they emit much less carbon dioxide than petrol engines because they are more fuel-efficient and give better mileage. But diesel contains more carbon per litre than petrol does, and so produces more carbon dioxide when it is burned in a car's engine. This offsets much of the reduction in carbon dioxide arising from the better mileage.

David Parker,
director general,
UK Petroleum
Industry Association,
9 Kingsway, London WC2

From M André.

Sir, On April 29 1991, there was in the FT an article headed: "Smoking diesels blamed as main source of pollution"; on January 22 1992 we learn ("Motor adverts criticised") that the Advertising Standards Authority upheld complaints against Peugeot Talbot for claiming that diesel engines would be environmentally "clean".

Nevertheless, in your Technology pages, we read regularly calls for more diesels; for example on September 5 1991 ("Measures to combat dieseL emissions urged") tax cuts to encourage diesel fuel were urged; or on January 21 1992 ("Diesel cleans up its act").

Assuredly diesels are somewhat cleaner when well tuned, but when are they?

M André,
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A perverted logic that cheerfully awaits the financial worst

From Mr Gerrit Jacobsen.

Sir, BCCI, Polly Peck, Maxwell. Now the British are expecting the worst from the single minded Mr Tiny Rowland. The ingredients are already there: dividend cut, stock price collapse; stock exchange inquiry, "foreign" chief executive.

I hope Lonrho is different. Only a week ago the FT was quoting some analysts as saying that Lonrho should cut its dividend if it was prudent, but with others saying that they did not expect Mr Rowland to do so because he was a "contrarian" out to prove he is different from the rest.

Now everyone is up in arms about his dividend cut. What kind of perverted logic is this? This "crisis" is caused by the financial industry, which has fallen into its own psychological trap. What causes a lender to say: "We have got to put on our thinking caps to work out why he cut the dividend"? It seems that the lender has not done its homework and has no idea why it lent money in the first place.

I would not be surprised if the drop in the share price caused some of Lonrho's now alarmed lenders to withdraw some of their credit facilities, thus causing a real crisis. I hope that the FT does not become party to this mind-twisting game by quoting an increasing number of worried people. I feel very much reminded of a London storm causing little actual damage but paralysing the whole city because everyone stops work to stand by the window and cheerfully wait for something awful to happen.

Gerrit Jacobsen,
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Germany

Economy needs more effective regional policy

From Mr Gerard Lyons.

Sir, The cutback in the coal industry, following close on the announcement of the closure of the Ravenscraig steel works once again highlights this country's absence of regional and industrial policy. Yet, if the UK is committed to the ERM and at sterling's current high and overvalued rate, it is essential that the government make effective use of industrial and fiscal policy to improve the supply-side potential of the economy.

This potential will not be realised if strategic industries such as coal and steel are allowed to disappear.

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FINANCIAL TIMES
Tuesday January 28 1992

Grim backdrop to US budget plans

The deficit problem continues to plague the administration, writes Michael Prowse

THE BUSH administration will tomorrow unveil budget plans for fiscal 1993 against an uncertain economic outlook and deteriorating medium-term trends for the federal deficit.

"The deficit outlook is far bleaker than was expected when Congress and the president reached their budget summit agreement in the fall of 1990," the Congressional Budget Office (CBO) warned last week. This time last year the administration used that agreement – which cut prospective deficits by $500bn over five years – to justify its projection of a rapid decline of the budget deficit. Mr Richard Darman, the budget director, even forecast a slim surplus of $14bn by 1996.

The CBO, set up to provide non-partisan advice for Congress, now believes such projections were too optimistic. In its budget assessment last week it forecast only a gradual decline in the budget deficit, from $352bn this year to $178bn in 1996. The deficit then begins to rise again, reaching $407bn by 2002.

If distortions caused by the bail-out of savings and loans and the Gulf war are excluded, the CBO figures suggest the deficit will not fall below $200bn, or 3 per cent of gross domestic product, at any point during the next decade. Indeed, by 2002 the deficit will have risen to 4.1 per cent of GDP, the same ratio as expected for fiscal 1993.

A budget deficit represents negative saving by the federal government. The CBO's projection of another decade of large deficits indicates that, on unchanged policies, the US will be unable to raise its low national savings rate. This in turn implies a low rate of capital formation and sluggish economic growth.

What accounts for the deterioration in outlook for the deficit? In the short-term, the culprit is the recession, more stubborn than expected. Last year the administration forecast a recovery beginning last summer. This failed to materialise and many economists expect the recession that began in July 1990 to be the longest since the Second World War.

Most forecasters, including the CBO, now project a weak recovery in the second half of this year. But few economists are taking a recovery for granted and not many expect more than lacklustre growth of 2-3 per cent at an annual rate.

In the longer-term, the CBO blames the poor outlook for the deficit on projected spending trends. Provided permanent tax cuts are avoided in this week's budget, the organisation projects federal revenue to rise slightly as a share of GDP, from 18.9 per cent this year to 19.2 per cent in 1995 and then to hold steady.

However, its forecast for spending shows outlays at or above 22 per cent of GDP for most of the next decade. Discretionary spending – on defence and domestic programmes – is projected to decline steadily over the next decade.

But these gains are offset by a sharp increase in mandatory spending on entitlement programmes, mainly health care for the elderly and the poor, and pensions.

Mandatory spending, estimated at $706bn this year, is already more than twice the size of the defence budget. The growth in spending on entitlements can thus easily outstrip even a large "peace dividend". Debt service will remain one of the government's largest programmes, absorbing 3.5 per cent or more of GDP.

The CBO concludes that another round of deficit-cutting, rivalling the 1990 summit, is now "urgent if the government's drain on national savings is to be curbed".

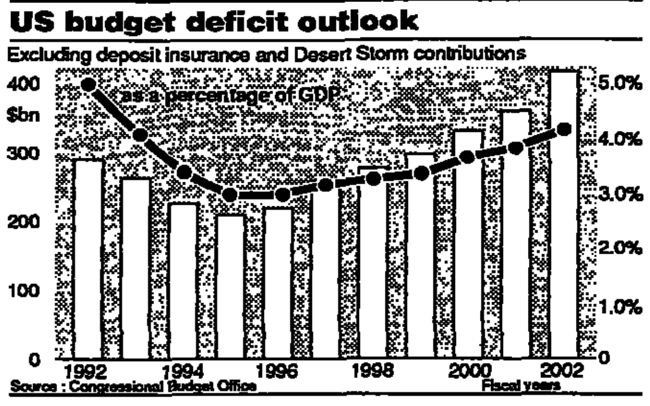
President George Bush has promised to eschew "quick fixes" in favour of stimulating long-run growth. But most of the measures expected this week – such as tax exemptions for children, tax credits for first-time home buyers and faster depreciation for business investment – seem aimed mainly at accelerating growth in the short-term.

Mr Darman's talent for creative accounting will result in the most flattering possible presentation of long-run budgetary trends. But analysts striving to assess the US economy's long-term potential will be looking for concrete evidence of either reduced growth of entitlement spending or higher revenues.

In the absence of either, the outlook for saving and capital formation is likely to remain poor, despite the large scope for cuts in the defence budget.

US budget deficit outlook

Excluding deposit insurance and Desert Storm contributions



Source : Congressional Budget Office

German union predicts large majority in favour of strike action

Steelworkers ignore jobs warning

By Christopher Parkes in Bonn

GLOOM gathered over the German steel industry yesterday as unions said that workers were voting heavily in favour of a strike, in spite of further warnings of job losses.

The IG Metall union said yesterday that the ballot, which began on Sunday and runs until Friday, had so far produced a 90 per cent "yes" vote for a strike. Its figures were based on unofficial estimates by local union officials.

The voters' motives were mixed. While some claimed the employers would now have to pay for their refusal to offer more than a 5.5 per cent pay rise, others said they were prepared for action because they were unwilling to "let the union down".

Voting coincided with a report from the RWI economic research institute in Essen which forecast stagnant steel output this year and the loss of 6,000 jobs from the industry's 135,000 workforce in western Germany.

The DAG white collar union, meanwhile, voted to hold a strike ballot this week among banking workers who have claimed a 10.5 per cent pay increase and been offered 4.5 per cent. IG Bau, the 1m-strong construction industry union, is expected to announce a 9.5 per cent claim tomorrow.

Trade union solidarity is emerging as the main issue in the 1992 pay round. With claims averaging 9.5 per cent and government, employers and the Bundesbank united in resisting any advances beyond 6 per cent, tension is increasingly rapidly.

Implicit support for resistance to union demands from the meeting of the Group of Seven leading industrial nations in New York at the weekend brought protests yesterday from the DGB trade union federation. Mr Michael Geuenich, a DGB board member, said internal wage negotiations were a matter for unions and employers and had no place in international discussions.

Results of the steel ballot are expected on Saturday when, provided a 75 per cent majority votes in favour of action, the IG Metall board is expected to announce the first stoppages.

An immediate all-out strike is unlikely, and tactical stoppages are expected as the union attempts to extract an improved offer from employers.

Meanwhile the rise in west German inflation appeared to slow down in January according to provisional figures from several states.

Hong Kong alerted BCCI managers

By Richard Donkin in London

THE Hong Kong banking commissioner has admitted warning managers of the local subsidiary of Bank of Credit and Commerce International to reduce their exposure to the parent company before the worldwide closure of BCCI on July 5.

The warnings followed earlier alerts arising from the late publication of BCCI's 1990 accounts. BCC Hong Kong (BCCHK) reduced its lending to the rest of the group from $757m (£418.20m) at the end of 1989 to $4m at June 30, 1991.

Mr David Carse, Hong Kong banking commissioner, also sent examiners into BCCHK branches the day before the closure was announced, when he already knew it was planned.

The disclosure, revealed in a report last year by Mr Carse to Sir David Wilson, governor of Hong Kong, has provoked an angry response from bank supervisors in Gibraltar, where BCCI depositors lost $96m in the closure. Mr Brian Davidson, Gibraltar's banking supervisor, said yesterday he had made representations about the warnings to the UK's Bingham inquiry which is examining the role of the bank regulators in the BCCI affair.

The 30 local UK authorities which lost £83m in the collapse are also complaining because they say the Bank of England gave them no inkling of problems in BCCI.

Creditors of BCCI are now demanding to know how widespread and comprehensive the warnings may have been.

The Bank of England said yesterday it had not seen the Hong Kong report and could not comment.

Mr Carse's report outlines the extent of Hong Kong's foreknowledge gained as a member of an exclusive group of bank supervisors who formed a college of regulators for BCCI in 1988. The initial members were the UK, Spain, Switzerland and Luxembourg. Hong Kong became a member in July 1989.

He said concerns because of the delay in publication of the 1990 BCCI accounts led his office to urge BCCI Hong Kong to increase its liquidity and to reduce lending to other parts of the group. In calendar 1990, BCCHK's lending to other parts of BCCI was reduced by nearly $600m to $175m.

Details of the July 2 meeting at the Bank of England, when it was decided to close BCCI, were passed to Mr Carse the same night. He said he put various contingency measures in place, including dispatching a team of examiners to the bank the day before the closure.

He said in the report: "I held discussions with the management of BCCHK and its auditors to obtain their current assessment of the bank's financial position. Without revealing the precise nature of my concern, I explained to the management of the bank that I understood there were some problems in the rest of the group that were delaying finalisation of the 1990 accounts and that BCCHK should ensure that it maintained high liquidity."

BCCI Hong Kong was sufficiently solvent after the shutdown to remain open on the Saturday after the closure and its doors were not closed until the following Monday.

The Gibraltar supervisor has complained that the use of the college to exchange information without informing regulators in other jurisdictions was unfair. "We did not even know there was a college of regulators," Mr Davidson said.

PLO threat to talks

Continued from Page 1

demned Arab participation.

The US wants to use the Moscow meeting – involving Israel for the first time in discussing Middle East questions with Egypt, Jordan, and Turkey as well as Arabs from the Gulf and Africa – to lessen the Jewish state's regional isolation.

Israel and delegations representing Syria, Lebanon and a Jordanian Palestinian team have conducted three rounds of talks in Madrid and Washington marked by procedural argument and the restatement of well-known positions.

Mr James Baker, the US secretary of state and originator of this latest Middle East peace effort, will launch the Moscow meeting.

He is anxious for the meeting to establish a framework for tackling multilateral Middle East issues before the general election in Israel this summer brings the peace process at least to a temporary halt.

Newhaven-Dieppe Channel ferry service faces closure after losses

By Richard Tomkins, Transport Correspondent, in London

A FURTHER cross-Channel ferry service faces the threat of closure following a decision by the sole operator of the Newhaven-Dieppe service to pull out.

Société Nouvelle d'Armement Transmanche, a subsidiary of French railways, said it would shortly stop operating the 144-year-old route because of unsustainable losses.

Its move comes less than a month after Sealink Stena Line of the UK closed the 148-year-old Folkestone-Boulogne route to concentrate its resources on Dover-Calais services.

If no company offers to replace SNAT on the Newhaven-Dieppe route, the combined effect of the closures will be to leave a gap in cross-Channel ferry services stretching from Dover-Calais to Portsmouth-Le Havre.

SNAT and Sealink Stena Line sail their vessels under the Sealink banner, a pooling arrangement under which they market each other's cross-Channel services.

Newhaven-Dieppe is operated by two French-crewed SNAT vessels, the now-closed Folkestone-Boulogne service was operated by two British-crewed Stena vessels, and Dover-Calais – by far the busiest route – is operated by two vessels from each.

Mr Frederic Avierinos, an executive director of SNAT, said the company's losses on the Newhaven-Dieppe route had been caused by restrictive working practices and a long series of industrial disputes. "We have reached the stage where the deficits are putting the whole company at risk," he said.

Hardest hit by the ferry services closure would be the port of Dieppe, which benefits not only from the employment created by the French-based vessels but also from the influx of tourists arriving from Britain.

Mr Avierinos said SNAT would keep the route open until it had been established whether or not another operator was prepared to take it over.

Yesterday three possible candidates – P&O European Ferries, Sally Line and Brittany Ferries – ruled themselves out. Sealink Stena Line, however, said it might be interested if the costs of the service could be reduced.

One uncertainty facing would-be buyers is the planned opening of the Channel tunnel between Folkestone and Calais next year, which will create a severe competitive threat to the nearest ferry crossings.

P&O's Dover-Boulogne service is also seen as a candidate for early closure, and some ferry industry leaders predict that Dover-Calais will be the only short-sea crossing to survive the tunnel's opening.

Nissan chief launches fierce attack on Iacocca

By Steven Butler in Tokyo

MR Yutaka Kume, president of Nissan Motor, yesterday issued a stinging attack on Mr Lee Iacocca, chairman of Chrysler Motor and a leading US critic of Japanese business practices.

"In international business circles, Mr Iacocca's remarks and behaviour are outrageous and insulting to us," he said.

Mr Kume's blunt remarks, made during an interview with a group of journalists including a Financial Times representative, are very unusual for a Japanese business leader. They reflect growing resentment and anger in Japan over what are seen as unjustified and politically motivated attacks on the country.

The Nissan chief's tough attitude is unlikely to go down well in Washington, where a range of protectionist legislation has been proposed in the Congress aimed at cutting the US trade deficit with Japan.

US-Japanese relations have been buffeted by a series of highly publicised disputes, on issues ranging from automotive trade to remarks by a senior Japanese politician suggesting that US workers are lazy and illiterate.

Mr Iacocca accused Japanese business and government leaders of duplicity following the recent visit to Japan by US president George Bush, during which the Japanese pledged to try to increase sharply the imports of US-made cars and car parts. The pledges were part of an effort by the two countries to reduce Japan's $40bn trade surplus with the US. "I just cannot tolerate his [Mr Iacocca's] remarks that the Japanese government is a liar," Mr Kume said.

Mr Iacocca accompanied Mr Bush on the visit, and with the chairmen of Ford and General Motors met leaders of Japan's automotive industry. Mr Kume said: "At the meeting we offered the best we could do. But in response the US side's endeavours are not so evident. The reaction of the US side is incomprehensible to me."

He said that while Nissan was able to live up to its pledge to purchase more US components, it could not guarantee the sale of US cars, even though Nissan is making arrangements to market Ford vehicles through its own dealer network. "We are ready to sell US vehicles in Japan, but there are some conditions attached."

"It is up to them to make the effort," he said.

● Reuter adds from Brussels: The US-Japanese car trade agreement is "more cosmetic than real", Mr Eberhard von Kuenheim, president of the Association of European Automobile Constructors, the EC lobby group, said yesterday. He said his group did not intend to challenge the accord under the General Agreement on Tariffs and Trade.

Auto war clash, Page 3

THE LEX COLUMN

Agreeing to differ on currencies

It is easy to see why Germany's inflationary preoccupations stopped it joining any moves to boost the world economy at last weekend's Group of Seven meeting. The apparent absence of US/Japanese action needs a little more explaining. Japan needs a higher Yen to fend off US protectionist pressures and lower interest rates to float its stock market off the rocks. An agreement by the US, even behind the scenes, to lower its own interest rates would have helped meet both objectives. It might also have elicited a more forthright statement from the meeting.

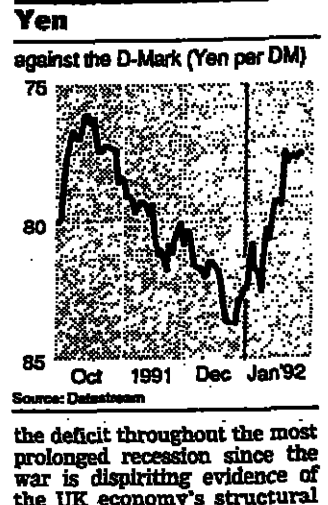
The missed opportunity prompts the question of whether the Federal Reserve is actually preparing to cut rates again, as many in the markets believe. Or has it been deterred by the softness of the Treasury bond market, which is apparently beginning to take the prospect of economic recovery more seriously? If a further cut in short-term rates undermined bond prices, it would be counter-productive. Long-term rates have a significant effect on demand, not least through their effect on the housing market. A modest reflationary package in tonight's State of the Union message might reassure bond dealers, but even that need not point to monetary easing. It could simply mean that alarm over the economy was abating.

That need not imply that yesterday's dollar bounce heralds a sharper upward move, but it does raise doubts about whether the Yen can sustain its relative strength. The D-Mark is at least still underpinned by high interest rates. Fear of intervention is unlikely to do much for the Yen if the Nikkei does crash through the 20,000 level and the Bank of Japan is forced to lower rates again.

FT-SE Index: 2,539.9 (+29.5)

Yen

against the D-Mark (Yen per DM)



Source: Datastream

UK economy

It is a measure of the depths being plumbed by the UK economy that rising imports are now greeted by some as evidence of a consumer revival rather than a threat to the balance of payments. In last year's fourth quarter, import volume, excluding oil and erratics, was up only one per cent on the year before. But there seems little doubt that after the late summer, the upward trend is now re-established.

It thus seems likely that the current account deficit, which narrowed last year from £15.2bn to £5.8bn, will this year widen again. The persistence of the deficit throughout the most prolonged recession since the war is dispiriting evidence of the UK economy's structural failings. It will also limit the recovery, whenever it arrives. The problem need not be one of financing the deficit. It is rather that memories of the Lawson boom are still too fresh for any government to preside over a collapse in the balance of payments with equanimity.

If a rising deficit had to be suppressed, the UK could yet again find itself out of step with Germany. Suppose that sterling were in narrow bands and that German interest rates had been cut to stimulate the German economy. Sterling could then be near enough to its ERM ceiling to make raising rates as difficult as cutting them is now. If that seems far-fetched, it is worth recalling that as recently as 1987, Mr Lawson's attempts to cap sterling at DM3 involved slashing base rates even as the current account was plunging. If base rate rises were ruled out, the obvious alternative would be to raise taxes. In that case, the market might ask itself what advantage there is in the Tories winning the election.

Mountleigh

It is unusual, not to say dangerous, for any property deal to be announced these days before the ink on the contract is dry. But assuming Mountleigh's Merry Hill sale goes through as planned, the company can justly claim that its disposal programme is on track. The £125m price tag, moreover, is a reminder that the market for retail and industrial sites gets stronger the further north one travels. It is worth remembering that the UK's quoted property companies, which have underperformed by 30 per cent over the last 12 months, are heavily biased towards London and the south east.

Even so, Mountleigh has a formidable mountain to climb, and investors will reasonably ask what it plans for an encore. The gap between its interest bill and rental income is dauntingly wide and can only be significantly narrowed now by successfully finding purchasers for non-yielding assets. Last year's rights proceeds will presumably keep the lenders at bay, but it is hard to escape the conclusion that in practice Mountleigh is another Rosehaugh-style work-out on behalf of the banks.

Yesterday's 10 per cent slide in the shares to 9½p offers chairman Sir Ian MacGregor another opportunity to average down on his personal holdings. But it will take more than a promise to keep up the attack on costs and an overdue decision to stop capitalising interest charges to persuade other investors to follow suit. In particular, there is confusion about the value of the Spanish retailer Galerias in the light of its persistently poor trading results. A company which once had the lofty ambition to pay £2bn for Storehouse can surely do better in explaining itself.

Body Shop

When overseas investors suddenly rush to buy into a UK company whose shares are on a historic multiple of 48 and a yield of 0.4 per cent, it would seem foolish for UK shareholders to resist. It would be all the odder if the company was not a Wellcome or a Glaxo, but a mere retailer. Yesterday's 12 per cent jump in the Body Shop share price was apparently sparked by a recommendation from an influential US stock picker. The only question is whether, if overseas investors really are discovering the Body Shop formula in large numbers, they can push the price to even more improbable levels.

If so, UK investors would plainly be advised to hang on for the ride. But Body Shop has shown once already that it is vulnerable to the cycle. In 1990, its shares lost nearly half their value as the recession took hold. And other UK companies – Dixons, Sock Shop and Isosceles, to name but three – have learned to their cost that expansion in the US is an extremely chancy business. The best course for Body Shop's UK investors might be to hand the shares over and buy them back when they are less fashionable.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Berlin	C	2	36	Caracas	F	27	81	Faro	S	14	57	Islamabad	R	13	55
Algiers	R	11	52	Biarritz	C	5	41	Casablanca	S	16	61	Florence	S	9	48	Istanbul	F	6	43
Amsterdam	C	5	41	Bombay	S	32	90	Chicago	S	-2	28	Frankfurt	C	2	36	Jakarta		–	–
Athens	F	10	50	Bordeaux	C	4	39	Cologne	S	3	37	Geneva	C	-1	30	Jersey	S	6	43
Bahrain	F	14	57	Boulogne	R	5	41	Copenhagen	S	4	39	Gibraltar	F	16	61	Johannesburg	S	31	88
Bangkok	F	33	91	Brussels	C	2	36	Corfu	S	12	54	Glasgow	Fg	0	32	Lima	F	28	82
Barcelona	S	10	50	Budapest	Sn	-3	27	Dallas	Dr	8	46	Helsinki	S	2	36	Lisbon	S	10	50
Beirut	S	15	59	Buenos Aires	R	29	84	Dublin	S	6	43	Hong Kong	S	19	66	London	F	5	41
Belfast	Fg	-1	30	Cairo	S	16	61	Dubrovnik		–	–	Innsbruck	C	-3	27	Los Angeles	S	9	48
Belgrade	Sn	-3	27	Cape Town	S	23	73	Edinburgh	F	3	37	Inverness	S	6	43	Luxembourg	C	1	34

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	17	63	Milan	S	4	39	Nicosia	S	12	54	Salzburg	C	-1	30	Tenerife	F	19	66
Madrid	S	8	46	Montreal	S	-19	-2	Oporto	F	9	48	San Francisco	S	8	46	Tokyo	S	11	52
Majorca	F	12	54	Moscow	C	0	32	Oslo	F	1	34	Seoul	S	5	41	Toronto	F	-6	21
Malaga	F	14	57	Munich	Sn	-3	27	Paris	C	3	37	Singapore	F	31	88	Tunis	F	13	56
Malta	R	14	57	Nairobi		–	–	Peking	S	5	41	Stockholm	C	2	36	Valencia	S	12	54
Manchester	Fg	-2	28	Naples	S	13	55	Prague	C	0	32	Strasbourg	C	1	34	Venice	S	6	43
Manila	C	31	88	Nassau	C	23	73	Reykjavik	F	4	39	Sydney	F	26	79	Vienna	C	1	34
Melbourne	S	22	72	New Delhi		–	–	Rhodes	F	14	57	Taipei	C	20	68	Warsaw	C	-3	27
Mexico City		–	–	New York	F	-3	27	Rio de Janeiro	F	35	95	Tangier	S	16	61	Washington	S	-5	23
Miami	C	19	66	Nice	S	15	59	Rome	S	11	52	Tel Aviv	S	11	52	Zurich	C	-2	28

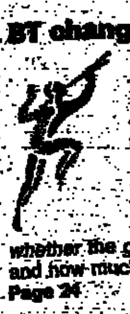
Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

INSIDE

Wace shares fall on newspaper report

Wace Group, the world's largest pre-press printing specialist, yesterday took the unusual step of denying it was a front for the IRA. Wace made the statement after market rumours linked it with a newspaper report that a listed UK company was under investigation for laundering funds for the terrorist organisation. Page 24

BT changes results day



BT, the UK telecom group, is bringing forward the announcement of its third-quarter results to coincide with the publication of the consultative document on BT regulation by Oftel, the industry regulator. The document starts the review of BT's prices during which Oftel will have to decide whether the group's profits are "reasonable" and how much its prices should be regulated. Page 24

Lonrho sells importer

Lonrho, the trading group, is selling its UK MAN truck importing business. Page 29

Akzo plan enters final phase

Mr Aarnout Loudon (left), chairman of Akzo, has embarked on the final and probably the most radical phase of his five-year mission to foster greater unity at the Dutch chemicals group. In many ways, his plan for a "drastic" reorganisation of Akzo's structure, unveiled on January 8, also marks the effective completion of the merger which created the company 23 years ago. Page 25

Total's growth slows

Total, the French state-controlled oil group, yesterday estimated that net earnings rose by 41 per cent last year to FFr5.8bn ($1.07bn). The increase, from FFr4.1bn in 1990, represents a slowdown on the growth published in the previous year. Page 22

Good news for Yemenis

The people of Yemen, one of the world's poorest nations, have been cheered by the news of riches below ground. Oil and gas discoveries have led to speculation that the country is sitting on top of the world's biggest gas "bubble". Page 27

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bilfinger&Berg	952	+	21
D'sche Babcock	174	+	7.5
Leifheit	465	+	17
Volkswagen	333.5	+	11.0
Falls			
Porsche	610	–	7
NEW YORK ($)			
Rises			
Ford	32¾	+	½
Gen Motors	34⅞	+	1⅞
Hutchinson Tech	24⅞	+	1⅞
Falls			
Arkansas Frght	32½	–	3¼
LA Gear	15½	–	¾
Merrill Lynch	61⅛	–	2½
PARIS (FFr)			
Rises			
Euro Disney	146.5	+	4.6
Eurotunnel	46	+	2.8
LVMH	4412	+	72
Vallourec	269	+	14.1
Falls			
SIC	613	–	27
Total	1047	–	16
TOKYO (Yen)			
Rises			
SXL	1270	+	70
Shinko Shoji	1160	+	60
Tokyo Prnt Ink	570	+	30
Falls			
Nagasakiya	1480	–	100
Nichiei	585	–	40
Nitto Boseki	450	–	34

LONDON (Pence)			
Rises			
Adscene	83	+	9
Automated Sec	142½	+	9½
Barr & WAT A	190	+	19
Body Shop	362	+	38
Bullough	142	+	13
Clinton Cards	79	+	14
Eurotunnel	457	+	25
Fisons	389	+	14½
Hammerson A	483	+	27
Lambert Howarth	320	+	20
Lucas Inds	128	+	6
Morrison (Wm)	280	+	14
Shopgate	343	+	18
Thames Water	369	+	13
Falls			
Aukett Assocs	22	–	3
Brit Aerospace	273	–	10
Cooper Clarke	65	–	10
Eurocopy	78	–	4½
Hazlewood Foods	122	–	8
Lonrho	117	–	3
Union Discount	133	–	11
Wace	186	–	11

Merrill reports record $696m profit

By **Patrick Harverson** in New York

MERRILL LYNCH, the largest US securities house, yesterday sealed an outstanding 1991 for Wall Street when it unveiled full-year profits of $696.1m, the highest in the company's history. In 1990 profits totalled $191.9m.

Merrill's record performance was achieved in the wake of an exceptional fourth quarter, when earnings soared 463 per cent to $170.7m on the back of buoyant stock markets and heavy equity and bond underwriting activity.

The improvement during the final quarter from all the company's businesses was mirrored in the full-year figures. The reduction in interest rates over the year attracted large numbers of investors back to the stock market, and as a result revenues from commissions over the year jumped 22 per cent to $2.1bn. In the last quarter, commissions rose 36 per cent to $556.1m.

Earnings from principal transactions soared in the wake of lower interest rates. Merrill's revenues from trading on its own account reached $396m in the fourth quarter and $1.9bn in the year.

The company singled out its strong performance in trading high-yield securities and international equities, while trading in money markets, derivative products and over-the-counter stocks made a significant contribution to trading revenues.

The most spectacular improvement came from investment banking, where earnings doubled in the last quarter to $374.8m and rose nearly 50 per cent in the full year to $1.175bn. Merrill benefited from a rush of new corporate stock and bond offerings as companies took advantage of lower interest rates and high stock prices.

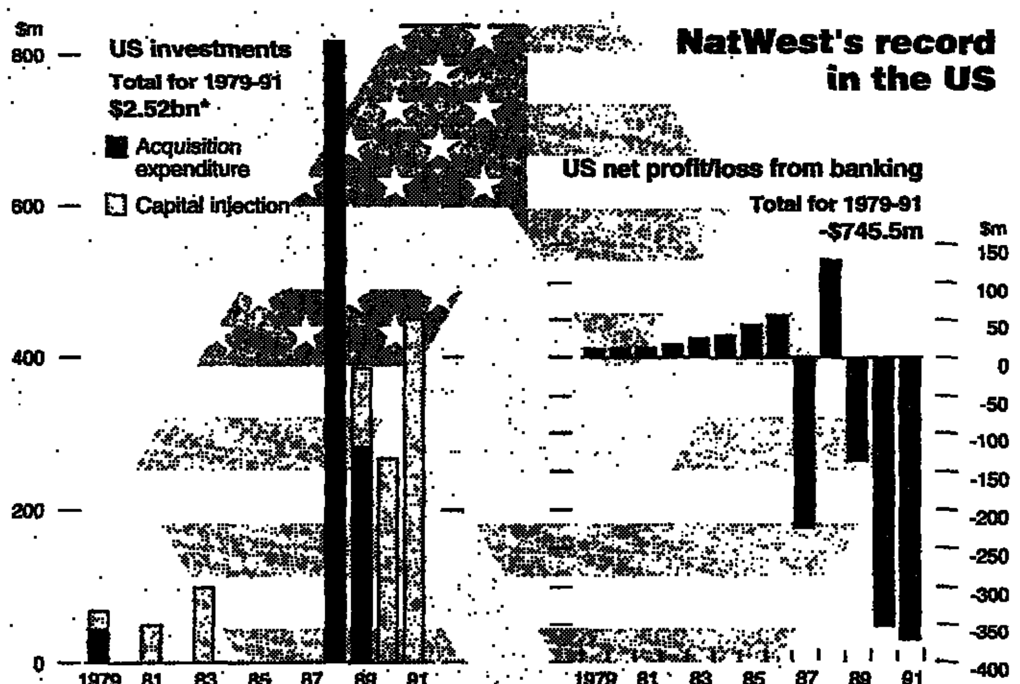
For the fourth consecutive year the company was ranked the leading underwriter of debt and equity securities both in the US and worldwide.

Asset management and custodial fee revenues rose 17 per cent in the quarter to $197m and 15 per cent in the year to $774m. Assets under fee-based management by the Merrill Lynch Asset Management unit increased $13bn over the year to $123bn, and total client assets in custody rose 17 per cent to $435bn.

On the costs side, non-interest expenses rose to $1.6bn in the fourth quarter and $6.2bn in the year, a result of big increases in employee compensation payments, and brokerage, clearing and exchange fees, which are all linked to market activity.

Alan Friedman looks at a change in approach for NatWest's troubled US operations

Surgeon eases the suffering



* Excludes $20m dividend paid by NatWest Bancorp to London
Source: National Westminster Bancorp, and annual report

Mr John Tugwell, the 51-year-old main board director of Britain's National Westminster Bank who was rushed over to New York last April to take over as chief executive of the bank's troubled US operations, has no illusions about the mess he has inherited.

"This is a wounded bank," he admits, as he recounts the surgery he has performed on the bank's loan portfolio and management.

Earlier this month NatWest's US operation revealed a $371.5m loss for 1991, with non-performing loans (most of them property) representing 8.16 per cent of the $14.1bn loan book.

In the City of London and on Wall Street, NatWest's US adventure – which began with the 1979 acquisition of National Bank of North America – is considered a deep problem that has helped depress the parent company's London share price. In the first half of 1991, NatWest made a pre-tax profit of £101m; this profit would have been £250m had it not been for US losses.

The US strategy, the brainchild of Mr Tom Frost, NatWest's chief executive, has cost the group $2.5bn in acquisition costs and capital injections.

The return on this investment is negative – some $745.5m of net losses.

Much of the pain has come since NatWest, on the back of bold talk about becoming a super-regional US bank, paid top-of-the-market prices and began a rapid expansion into New Jersey in the late 1980s.

NatWest Bancorp – as the US operation is called – has suffered large losses in four out of the past five years, some $1.1bn of deficits in all.

The losses resulted from risky Latin American sovereign lending, bad US project finance and property loans that include write-offs on borrowings by Mr Donald Trump, the discredited New York property developer, and the woes of recession in the New York area.

Mr Tugwell concedes that the bank's US strategy has changed several times in recent years and claims he has a plan aimed at achieving a 15 per cent return on equity by 1995.

"This has not been, so far, a good investment for the NatWest shareholder. The stockholder will still be waiting for a return on investment," he admits. "I don't know whether we can ever recoup our investment."

Asked if NatWest Bancorp would have gone bankrupt had it been a stand-alone bank lacking a parent with deep pockets, he replies: "It would have been very close to that. Some 10 to 11 per cent of our assets were non-performing at one point."

Mr Tugwell downplays any responsibility he had as a regional general manager of NatWest Bancorp between 1984 and 1987, but acknowledges mistakes of Bancorp's past management.

He admits that his personal stake in turning the US business around is "very substantial, it is my own reputation". He acknowledges City of London speculation that he is seen as a possible heir to Mr Frost.

NatWest's approach to the US is at odds with Britain's three other clearers.

Lloyds has a tiny US presence. Barclays has been hard hit by the recession but it is more sharply focused on corporate and investment banking.

Midland's US presence is a shadow of its past, not surprising after its debacle with the California-based Crocker National, which it sold off in 1986.

NatWest now has $21.5bn of US assets, two-thirds of which are in its New York bank and the rest in New Jersey. Its 260-branch network and staff of 7,300 are evenly split between the two states.

Mr Frost mapped out the growth strategy, proclaiming in 1988 the goal of building a super-regional bank in the north-east of the US with $30bn-$40bn of assets. He said he was seeking a 10 per cent contribution to group profits from the US.

The original NatWest foray into the US market was couched in terms of global diversification. By 1988, when NatWest paid $820m to buy First Jersey National Bank, the super-regional strategy was adopted.

Looking back, Mr Tugwell admits that too much was paid in New Jersey.

Mr Tugwell says that among NatWest's worst mistakes were loan portfolios where the bank was overexposed. US commercial property – where 50 per cent of the bank's $1.5bn loan book is classified as non-performing – is the most obvious example.

Since last April Mr Tugwell has ousted most of the previous top managers at NatWest Bancorp, made $567.7m of bad debt provisions and tried to steer the bank towards a new strategy. To correct the US bank's credit policies he brought over Mr Alan Jones as senior credit control manager, a role he played at the NatWest group level. Mr Tugwell says the bank is trading profitably and analysts expect it could earn $100m in 1992.

One thrust of his attempt to reach a 15 per cent return on equity by 1995 is a drive into the retail market. He says the aim is to shift the business mix from its present 80:20 split between corporate and retail to 60:40 by 1995. He wants to develop more non-interest income by improving the number of services sold to clients, and to earn more from specialist areas such as leasing, cash management and lending in niche markets.

The retail ambition seems odd at a time when consumer delinquencies are at record levels and even retail banking profits at Citicorp, the New York leader, have crashed as a result of the recession.

"We have neglected our consumer base of 1.25m customers and it ought to be relatively simple to achieve early results," he says.

This optimism runs counter to conventional wisdom in New York banking. But so does Mr Tugwell's conviction that he must expand NatWest in Connecticut, one of the most depressed states in the north-east.

Mr Tugwell says the London board is committed to the bank. It discussed and "soundly rejected" last year the option of selling the US business. But NatWest's top executives have repeatedly claimed the worst was over in the US – and they have repeatedly been wrong.

Board shake-up, Page 18

French say Nestlé can bid for Perrier

By **Alice Rawsthorn** in Paris

NESTLE, the Swiss food group, has been given the go-ahead by the French stock market authorities for its FFr13.42bn ($2.48bn) hostile takeover bid launched last week for Source Perrier, France's leading mineral water company.

The Swiss group, which is funding the bid jointly with Banque Indosuez, the prominent Paris bank, now needs to secure the consent of the French government as it is based outside the European Community.

In recent days Nestlé has appeared to be trying to play down the aggressive aspects of the bid which threatens to turn into a bitter battle with the Agnellis, the Italian industrial dynasty, for control of Perrier.

Mr Reto Domeniconi, director-general of Nestlé, stressed in interviews with Espresso and Il Mondo, the Italian weeklies, that he hoped to reach an agreement with the Agnellis.

He suggested that his company could keep Perrier's water and cheese interests while the Agnellis, who are in the throes of a FFr5.6bn bid for Exor, the French property group that controls 35 per cent of Perrier, could retain its holdings in wine and property.

In spite of Mr Domeniconi's placatory overtures, Nestlé is pressing ahead with its legal battle to prevent the Agnellis from blocking its bid for Perrier. Nestlé is trying to invalidate the FFr1.5bn purchase earlier this month of a 13.8 per cent stake in Perrier by Saint Louis, another company linked to the Agnellis. The combination of this holding with Exor's 35 per cent would give the Agnelli camp control of 48.8 per cent of Perrier, making it almost impossible for Nestlé's bid to succeed.

Nestlé last week obtained a court order to freeze the voting rights attached to the Saint Louis shares. The Tribunal de Commerce, the Paris commercial court, yesterday announced it had set a date of February 25 to deliver its judgment on the validity of Saint Louis' investment.

The Commission des Opérations de la Bourse, another French stock market regulator, is expected to decide this week whether it will sanction the Saint Louis share sale.

In the meantime, Mr Umberto Agnelli, who has headed his family's drive into France, has tried to mend the damage to the Agnellis' carefully cultivated francophilic image by stressing their commitment to long-term investment in France.

Proposed Volvo merger delayed by advisory body

By **Robert Taylor** in Stockholm

THE ATTEMPT by Volvo, the Swedish car group, to become majority owner of Procordia, the Swedish food and pharmaceuticals conglomerate it owns jointly with the state, was still uncertain last night.

The outcome of what would be Sweden's first privatisation of a partially state-owned company may depend on the verdict of the Swedish government's advisory privatisation committee.

Headed by Mr Curt Nicolin, the committee was still considering its attitude to the proposed SKr38.7bn (£3.71bn) deal.

The nine-strong body, made up of prominent financiers and industrialists, met yesterday for an hour to discuss the deal and decided to continue their discussions today. The commission's primary stated task is to advise Mr Per Westerberg, industry minister, on the timing, selling price and conditions for the privatisation of Sweden's 35 wholly or partially state-owned companies.

On the Stockholm bourse reactions were mixed. Volvo's unrestricted share price rose from SKr393 to SKr398 at the close of trading. So far this year Volvo's share price has surged by about 30 per cent as investors have shown increasing interest in buying its stock.

By contrast, Procordia's unrestricted share price fell from SKr212 to SKr198. There were similar trends in London, reflecting the market view that the deal is good for Volvo but bad for Procordia.

The outcome of the proposed merger may depend on talks between the two companies and the Swedish government. The judgment of the privatisation commission is now seen as vital if there is to be rapid agreement on Procordia's future.

Last Friday the commission rejected Procordia's first offer of 10 Procordia shares for four Volvo shares on the grounds that it was too generous to Volvo shareholders. The second and existing offer was slightly modified to nine Procordia shares for four Volvo.

Although Mr Nicolin and his colleagues do not have the legal powers to veto the share offer their views are bound to carry considerable weight.

The commission also criticised the industrial logic of the deal, suggesting that it had advantages for Volvo but disadvantages for Procordia.

Mountleigh loses £73m midway

By **Vanessa Houlder**, Property Correspondent, in London

MOUNTLEIGH GROUP, the debt-laden UK property company, yesterday announced pre-tax losses of £73.7m ($131m) for the six months to October 31 and passed its interim dividend. A year earlier, it made a £12m pre-tax profit and declared a 1.25p interim pay-out.

These heavy losses are the latest in a series of controversial announcements by the company. Last summer, it announced a £96.1m annual pre-tax loss and the breach of its banking covenants.

It launched a £96m rights issue, which provoked a public censure by the stock exchange. In October, the chairman and three joint managing directors resigned before the company's annual meeting, as a result of the company's change of strategy.

About half the loss was due to a provision taken on its Merry Hill shopping centre in the West Midlands, which it has agreed to sell for £125m to investors led by the O'Connor Group, a US pension fund adviser, in partnership with Hammerson property group. The deal is likely to take several weeks to complete.

The difference between Merry Hill's book value of £160.4m and the sale price was the main cause of a £40.1m exceptional charge. In addition, the exceptional charge included £6.5m of the £9.8m costs of last summer's £96m rights issue.

The interim results suffered from an increase in the interest charge from £26m to £35.5m, largely because it has stopped capitalising interest. Net borrowings stood at £526.4m at October 31 compared with £641.1m at May 31.

Operating profits in the UK fell from £11.3m to £7.9m. Property sales dropped from £116.7m to £48.6m with a further £22m raised from the sale of investment properties in Spain. Rents and service charges increased from £10.7m to £13.3m. The sale of Merry Hill, which has a rent roll of £10.8m, will significantly reduce rental income in future.

Galerias, the Spanish department store, made a £1.9m loss, as increases in operating costs offset an increase in sales and gross margins.

Sir Ian MacGregor, the chairman, who is recovering from heart surgery, reiterated Mountleigh's objectives of reducing debt by selling its UK and continental property portfolio. Corporate costs increased from £6.6m to £6.7m. There was a loss per share of 20.1p, compared with earnings per share of 4.7p a year earlier.

Lex, Page 16

Dutch property units plan to explore alliance options

By Ronald van de Krol in Amsterdam

WERELDHAVE and VIB, the Netherlands' second and third largest property investment funds, plan to look into the possibility of entering into a "far-reaching form of co-operation".

The companies, which are listed on the Amsterdam bourse, are to consider all options including that of a merger. Their decision is expected in several months' time.

The announcement yesterday comes at a time of extensive alliance building in the Dutch property sector.

In December, ABP, the Dutch civil servants' pension fund, said it planned to buy a 12.5 per cent stake in Rodamco, the country's largest property investment fund, in order to expand its international property holdings.

Rodamco, which has property holdings of around Fl8bn ($4.4bn) and which is seeking new funds for further growth, is also in talks with PGGM, another large Dutch pension fund, about possible co-operation.

Wereldhave and VIB have property and other investments worth about Fl5bn and are very active on overseas markets, but Wereldhave's portfolio is more international.

Nearly one-third of Wereldhave's investments is in the UK, a legacy of the company's successful hostile takeover of Peachey Properties in 1988.

The two companies' shares rose slightly on the Amsterdam Stock Exchange yesterday following the news of talks on a possible partnership. Wereldhave gained Fl1.60 to Fl120.70 while VIB rose Fl0.10 to Fl59.80.

VIB switched from an open-ended to a closed-ended structure in autumn 1990, in line with Rodamco's decision to stop its daily practice of buying in and selling its own shares to keep its share price equivalent to net asset value.

This move forced most other open-ended Dutch property funds to follow suit, and they now all trade at a discount to their net asset value. Wereldhave, by contrast, has always been closed-ended.

Total profit up 41% to FFr5.8bn

By William Dawkins in Paris

TOTAL, the French state-controlled oil group, yesterday estimated that net earnings rose by 41 per cent last year to FFr5.8bn ($1.07bn).

The increase, from FFr4.1bn in 1990, represents a slowdown on the growth published in the previous year. However, since then Total has changed its accounting methods to reduce the wild swings in its results that used to come from oil price changes. Accordingly, it has switched from accounting for stocks on a first in, first out basis to accounting for oil stocks at replacement cost.

Last year's growth reflects an upturn in activity and productivity gains across the group, said Total. Margins were lifted by the Gulf war in the first quarter, but shrank again with the subsequent fall in oil prices and in the dollar's value.

Total's oil and gas reserves outside the Middle East increased by more than 15 per cent, while sales of crude oil rose by 13 per cent, faster than the market.

Refining and marketing sales rose by 8 per cent to nearly 1.3m barrels per day, helped by strong demand in Europe, where Total's refineries ran at 97 per cent of capacity last year. Margins in the refining business consolidated the previous year's recovery, after a strong first quarter, said the group.

Total at the same announced a four-for-one share split, which will take effect on February 10, to increase the liquidity of the market for the group's equity.

Statoil upgrades European capacity

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, is planning to invest an estimated NKr4bn ($641m) to upgrade and expand European refinery capacity, and is also seeking new capacity outside Europe.

Statoil produces about 1m barrels of crude oil a day, but has just 200,000 barrels a day refining capacity.

The company is to spend about NKr2bn to boost annual refining capacity in Denmark to 4.8m tonnes from 3.5m tonnes by building a plant – adjacent to its existing refinery at Kalundborg – to refine condensate, a liquid hydrocarbon.

Construction of the plant, which will be supplied with condensate from Statoil's North Sea Sleipner field, is to be completed in the fourth quarter of 1994.

Statoil, one of the world's leading oil products exporters outside Opec, spent NKr12bn to expand and upgrade its Mongstad refinery on the west coast of Norway which came on stream in 1989.

Statoil said the new investments, in the range of NKr1.8bn, were being planned at Mongstad including a desulphurisation plant and a small methyltertiary butyl ether (MTBE) plant.

MTBE is used as an additive to boost or improve the octane level of unleaded petrol, which burns cleaner than leaded petrol. The plants will enable higher-quality products to be produced in order to meet stricter environmental requirements in the US and Europe.

Alcatel sells postal units in record buy-out

By William Dawkins in Paris

ALCATEL, the French telecommunications equipment group, has sold its postal franking and folding machine businesses to a group of financial investors and company staff for an estimated FFr2bn ($369m).

This is France's largest management buy-out since the FFr7bn acquisition of Darty, the electrical retailer, four years ago. Alcatel's mailing machine businesses, known as Satmam in France and Hadewe in the Netherlands, take second place in the world market after Pitney Bowes of the US.

The division recorded FFr2bn sales last year and employs 3,600 people. About half its sales are made abroad, mainly in the US, Britain and the Netherlands.

The deal allows Alcatel to pull out of a non-strategic activity without selling to a competitor, said Mr Jean-Marie Messyer, a managing associate at Lazard Frères, the bank which organised the buy-out. The management holds 2 per cent of the equity and will have stock options – still under negotiation – which could allow them to go up to more than 5 per cent.

The remainder is held by the financial backers, with 35 per cent owned by a Lazard investment fund, plus 15 per cent with Baring Capital Investors.

Outokumpu in FM750m deficit

OUTOKUMPU, the Finnish group, said yesterday its 1991 loss before extraordinary items was about FM750m ($170m), compared with FM124m in 1990, Reuter reports from Helsinki.

The company said it expected the group's result to improve "notably" in 1992.

The end of 1991 was worse than expected. The last four months' result was weakened by FM250m due to a poor market situation, foreign exchange losses caused by the markka's devaluation and inventory losses on declining metal prices.

National Westminster Bank to restructure management

By David Barchard in London

NATIONAL Westminster, the second largest UK banking group, yesterday announced a shake-up of its corporate and financial markets operations and the appointment of two deputy group chief executives to serve under Mr Tom Frost, NatWest's chief executive.

The two new deputy group chief executives are Mr Bert Morris, 57, and Mr Derek Wanless, 44. Mr Morris currently heads NatWest Support Services Division and will succeed Mr Roger Flemington, who is due to retire as deputy group chief executive in May, while retaining his present executive responsibilities.

The promotion of Mr Wanless, who joined the NatWest board less than two years ago when he was made head of the bank's UK financial services division, is likely to arouse the most interest. Despite his age, he must now be a leading contender to succeed Mr Frost as group chief executive when he retires in August next year.

Mr Wanless, whose career so far has been in NatWest's personal customer and retail banking business, will head a new grouping of the bank's corporate and investment banking and trading market activities, to be called NatWest Markets.

It will have its own board, chaired by Sir Michael Angus, NatWest deputy chairman, with Sir Geoffrey Littler, chairman of County NatWest, as his deputy.

Mr Wanless said yesterday that the changes were only a managerial restructuring and would not affect County NatWest in any other way.

"All three of the units have tackled their problems over the last year or two and developed up their business well and increased their complementary skills well", he said.

The latest appointments come 10 days after NatWest brought in Mr Richard Goeltz, a 49-year-old American, to be its chief financial officer in succession to Mr John Burns who left the bank to become finance director at TSB.

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ABB buys 10% stake in Elektrim

By Christopher Bobinski in Warsaw

ABB, the Swedish-Swiss electrical engineering group, has bought a 10 per cent share in Elektrim, a recently-privatised Polish foreign trade company specialising in power generation.

Elektrim, whose principal markets are Czechoslovakia, Germany, Turkey and Austria, reported a profit of Zl 188.1bn ($16.3m) on turnover of Zl 3,425bn in the first half of last year.

The privatisation valued Elektrim at Zl 210bn, with the government retaining 18 per cent of the company's 3m shares, of which 60 per cent were sold to individual investors and foreign companies.

ABB made its purchases through two of its subsidiaries in Poland, with ABB Zamech and ABB Dolmel buying 5 per cent each at a total cost of Zl 21bn. ABB, which exported around $65m worth of goods to Poland last year, now has five joint ventures in the country.

These include ABB Zamech, established in April 1990, which produces maritime equipment and gas turbines, and ABB Dolmel, as well as Dolmel Drives, which specialises in generating equipment and machine drives and was established in July 1990.

ABB has also recently set up two small-scale enterprises. One is between Poland's ZWUS with ABB's railway signal producing subsidiary in Stockholm and the other a joint venture between Lamina, a Polish factory producing lamps, and Infocom, an ABB-owned company in Switzerland.

Further plans for more ambitious investments by ABB in Poland have been held up by Polish fears that the Swedish-Swiss company would soon come to play a dominant role in the country's power generating equipment and related sectors.

Austrian steelmaker seals mill deal

By Nicholas Denton in Budapest

AUSTRIA's Voest-Alpine Steel, bidding to become the dominant steelmaker in east-central Europe, yesterday sealed its investment in Hungary's largest cold-rolling mill.

Voest-Alpine, a subsidiary of Austrian Industries, the state industrial holding company, is paying Ft2.4bn ($31m) for half-ownership and management control of the Dunaujvaros plant in central Hungary.

The Austrian steel company's eastern expansion is made more urgent by increasing concentration in the European industry. By adding eastern markets, Voest-Alpine can attain the size to survive alone, according to Mr Wolfgang Eder, the general secretary.

The stake in Dunaujvaros is seen as establishing access to the Hungarian market. The venture hopes to win new custom from the Hungarian operations of multi-nationals, like Suzuki's car plant and Electrolux's refrigerator factory. Nevertheless, overall local demand for steel has fallen sharply and competition from Czechoslovak producers has grown fierce.

Although the Dunaujvaros venture will continue to produce mainly for the Hungarian market, Voest-Alpine is exploring an international division of labour – basic manufacturing in the east and special steel production in the west.

The Dunaujvaros plant, which has an annual capacity of 500,000 tonnes, was chosen because it is linked to Linz by the Danube.

BSI climbs slightly to SFr58m over year

By Ian Rodger in Zurich

BANCA della Svizzera Italiana (BSI), Switzerland's sixth largest commercial bank, has reported net income of SFr58m ($41m) in 1991, up slightly from the SFr57.7m earned in the previous year.

Gross profit at the bank, in which Swiss Bank Corporation has a controlling interest, was SFr150m, down 5 per cent. However, the previous year's figure included SFr50m in extraordinary gains on the sale of participations in banks in Monaco and Luxembourg.

Depreciation and provisions were SFr92m, down from SFr100.6m in 1990.

The bank said the satisfactory operating results were attributable to a better interest margin and higher income from commissions, foreign exchange transactions and securities. Net of interest and brokerage paid, total income was SFr433m, 13 per cent above the level of the previous year, excluding the extraordinary gains.

At December 31, 1991, total assets were SFr9.9bn, up 8 per cent from a year earlier. Loans grew 4 per cent to SFr5.8bn and deposits were up 8 per cent to SFr6.4bn. Disclosed shareholders' equity, after the proposed unchanged 16 per cent dividend and allocations to reserves, would be SFr762m.

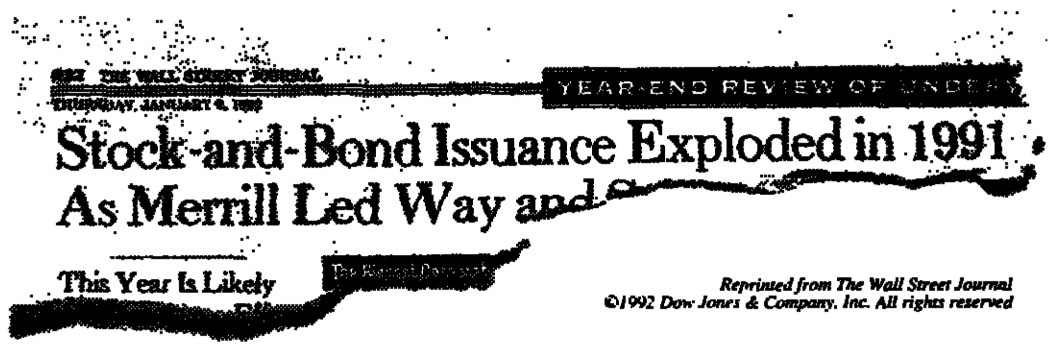
Tallent acquired by Thyssen

THYSSEN INDUSTRIE of Germany has acquired Tallent Holdings for an undisclosed sum, writes Chris Tighe. Tallent, based in County Durham, north-east England, specialises in the manufacture of automotive suspension components. Nissan's Sunderland plant is a main customer; it also supplies Ford, Jaguar and Rover.

Tallent was the subject of a management buy-out from the Colston Group three years ago. The company, then valued at £11m, has since increased annual turnover from £17.8m to £48m. ($77.83) It employs 775 people.

The difference between luck and leadership is consistency.

Anyone can have a good month or a great quarter, but it takes a leader to top the mark consistently. ▧ That's especially true when it



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Top Global Underwriters Of Debt and Equity of 1991

MANAGER	AMOUNT (in billions)	[illegible] MARKET SHARE	[illegible] MARKET SHARE
Merrill Lynch & Co.	$110.5	13.0%	[illegible]
Goldman Sachs	84.6	9.9	[illegible]
First Boston	75.6	[illegible]	[illegible]
Lehman Brothers	71.1	[illegible]	4.3

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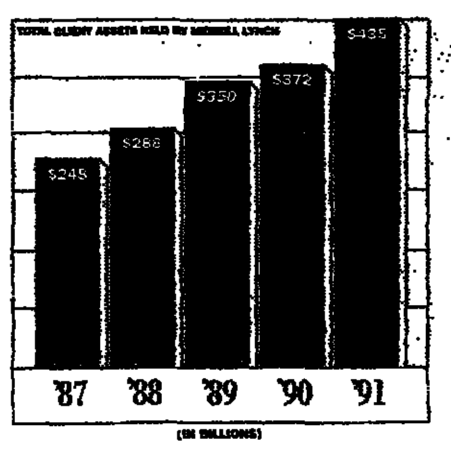
comes to raising the capital that fuels free enterprise. For the fourth straight year, Merrill Lynch maintained its lead in U.S. debt and equity underwriting. ▧ Worldwide we increased our first-place share, serving as lead underwriter for 13% of new-issue volume, or $111 billion.



▧ That consistency and leadership may also help explain why so many people entrust their money to us. Assets held in private client accounts worldwide have reached a record high of nearly $435 billion, far more than our nearest competitor. ▧ Impressive as these figures are, they're more important for the commitment to our clients that they represent. ▧ As our business grows, so does that commitment.

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A tradition of trust.

INTERNATIONAL COMPANIES AND FINANCE

Cummins in diesel deal with Scania

CUMMINS ENGINE, the world's largest independent diesel engine producer, and the Scania Division of Sweden's Saab-Scania have reached agreement on the development of a new fuel system for diesel engines, Reuter reports.

The system will be based on Cummins' high-pressure injection fuel system technology.

The companies agreed to share development and manufacturing of the new system, and intend to use the new fuel system in certain engines in the latter part of the 1990s.

Scania is the world's third largest manufacturer of heavy trucks.

Mexico sells Serfin to Obsa

By Damian Fraser in Mexico City

THE MEXICAN government has sold Banca Serfin, the country's third largest bank, to Grupo Financiero Operadora de Bolsa (Obsa) for $918m.

Obsa, Mexico's largest retail brokerage measured by branches, paid 8,065 pesos ($2.62) per share, valuing the bank at 2.69 times book value. The next and only other bid was for $870m, or 2.55 times book value.

The sale of Serfin puts the proceeds from the 10 bank privatisations so far at more than $8.1bn, well above government and independent forecasts. The Finance Ministry expects to have sold the eight banks still in government hands by the middle of this year.

All the large banks – including Banamex, Bancomer, and now Serfin – have been sold to investors from brokerages. So far, all have formed integrated financial groups, and Obsa, which narrowly lost out when bidding for Bancomer last October, is expected to do the same.

Obsa was once Mexico's high-flying brokerage, with a market capitalisation of $2bn at the height of 1987's stock market boom. But in the October 1987 crash its stock price collapsed, and at the time its president, Mr Eduardo Legorreta, was imprisoned in February 1989 for trading abuses, its share price was just 2 per cent of the pre-crash peak.

Since then, its reputation and market value have recovered, and it is expected to form with Serfin one of Mexico's stronger financial groups. The investors are mainly from the industrial city of Monterrey, and are controlling shareholders in Vitro, Mexico's largest industrial conglomerate.

Serfin is Mexico's oldest bank, and has assets of $22.1bn, 16 per cent of the total held by Mexican banks, 598 branches, and last year profits of $122m.

Citicorp unveils new guidelines on lending

By Alan Friedman in New York

CITICORP, the largest US bank which is struggling to cut costs and contain loan losses, has introduced a new set of US corporate lending guidelines that aims to improve loan pricing and reduce concentrations in specified sectors.

The new lending guidelines, contained in a 50-page spiral-bound set of photocopied text and graphs known inside the bank as the "blue book", comes in the wake of sharp criticism on Wall Street of the bank's credit policies.

Mr Onno Ruding, the former Dutch finance minister who on March 1 takes over as a new vice-chairman of the bank, will oversee implementation of the new lending policies, which are to be phased in over the next 18 months.

Mr Ruding will have responsibility for Citicorp's corporate banking business, which until recently was known as the Japan, Europe and North America (Jena) division.

Last year, the Jena division suffered losses of more than $1bn – nearly four times higher than a year earlier.

At the end of 1991, Jena had $79bn of total assets, of which $7.7bn were non-performing loans. The biggest problem area was in US commercial real estate, where $4.8bn of the $13bn loan book was classified as non-performing.

Mr John Reed, the Citicorp chairman, has taken personal charge of the US commercial real estate loan portfolio, which is excluded from the new guidelines. The new lending system is intended to cover some $55bn of US corporate loans.

The new Citicorp guidelines – described inside the bank as a new portfolio management system – may lead some corporate clients to leave the bank.

The guidelines cover 32 industrial sectors and geographic areas in the US and include a new risk measurement system that is based on a scale of risk from one to 10.

The heart of the new credit policy is a loan-pricing matrix that is intended for review on a monthly basis. It requires loan officers to ensure that loans are priced to exceed one of two standards – an "analytical hurdle rate" and a market rate.

The first is based on the cost of funds, historical volatility of the sector and client and the return to shareholders of the loan.

The second standard is a comparison of the Citicorp loan and the market rate charged by Citicorp's main competitors.

Bankers Trust advances to $137m in final quarter

By Alan Friedman

BANKERS TRUST, the New York banking group, continued to out-perform most of its competitors in the north-east in the fourth quarter of 1991, with an 11 per cent rise in net profits to $137m.

Mr Charles Sanford, chairman, said earnings reached a record in 1991 despite the US recession. He stressed that total bank revenues were 4.5 per cent higher year-on-year, staff numbers were reduced by 9 per cent and non-interest expenses were up by only 3.6 per cent.

The bank, which recently announced the departure of Mr Ralph MacDonald, one of the co-heads of its global corporate finance division, said its return on equity in the fourth quarter was 18 per cent.

Net earnings of $667m for the whole of 1991 were only $2m higher than in 1990, while the bank's return on equity last year was 23 per cent.

Although net interest revenues after bad-debt provisions were $100m lower in 1991 at $499m, Bankers Trust made up for this with non-interest revenues $195m higher at $2.5bn. Foreign exchange trading revenues fell from $425m to $272m in 1991, but this was offset by a $356m rise in the bank's trading account, to $957m.

Bad-debt provisions were up only slightly in the fourth quarter, from $73m to $75m. For the whole of 1991 bad-debt provisions rose to [illegible], from $194m in 1990. On Wall Street the Bankers Trust share price was marked ⅛ higher, to [illegible].

● Mr Robert Diamond, a senior executive in London for Morgan Stanley, has joined rival US investment bank CS First Boston as chief executive of its Far Eastern activities, writes Martin Dickson in New York.

Mr Allen Wheat, 43, who has headed the Pacific operations for the past two years, as well as running the firm's derivatives products business, Credit Suisse Financial Products, will now concentrate on the latter and take responsibility for the bank's worldwide foreign exchange business.

A master of good timing

Robert Gibbens on Bombardier's aerospace forays

CANADA'S Bombardier transport equipment group has assumed a leading role in the world regional airliner and business jet markets through a five-year marathon of astutely-timed takeovers.

The final step is the recent acquisition of de Havilland Canada (DHC), the Toronto turboprop commuter aircraft builder, from Boeing of the US. Bombardier took over the company after Aerospatiale-Alenia, the French-Italian makers of the successful ATR commuter plane, had their bid rejected on competition grounds by the European Commission.

Bombardier will have to compete against the giants of aerospace as they jostle for position in the growing regional airliner markets. Its strategy, however, is to stay firmly in the 30-to-70 passenger niche. DHC has nearly 30 per cent of the turboprop sector.

Bombardier began its foray into aerospace in 1986 when it bought Montreal's Canadair, caught by a downdraft in the business jet market, from the Canadian government.

It soon took over Short Brothers in Belfast from the British government. This was followed by Learjet in the US, and now DHC.

Mr Laurent Beaudoin and Mr Raymond Royer, chairman and president of Bombardier, were initially reluctant to move their mass transit equipment and snowmobile company into aerospace. But they became more confident with each takeover: they could see how aerospace had the potential to double their business quickly and at low risk.

They have driven hard bargains with governments, suppliers and trade unions, and have insisted on guarantees such as those covering losses on past contracts, research and export finance support, job flexibility and competitive pay contracts.

Laurent Beaudoin: more confident with each deal

In return, Bombardier has offered, among other things, heavy investment in modern equipment and it has developed a full range of aircraft for world markets.

The company goes to great lengths to win workforce support, providing full training from shop floor to executive level, and where possible it keeps existing management.

This strategy is being applied at DHC, where Bombardier has gained 51 per cent ownership and full operating control for C$51m (US$43.9m) with the Ontario government as a 49 per cent equity partner. The deal is backed by a package of nearly C$500m in federal and provincial support.

Bombardier has to restructure a company with more than 3,000 employees, including 500 engineers and technicians, at a plant where C$1bn has been spent on modernisation over the past five years. It has also to fill out the Dash-8 turboprop family to a full 30-70 passenger range – these aircraft are designed for trips of up to 90 minutes. DHC has made about 350 so far.

The Canadair 50-passenger Regional Jet, using fan-jet engines, is intended for trips of more than 90 minutes. Bombardier believes the two product lines are complementary and can be sold to the same feeder airlines operating within modern hub systems.

Comair, a Delta feeder line in the US and a big user of turboprops, recently gave Canadair a C$200m order for Regional Jets.

DHC will add about C$450m to Bombardier's sales in the year ending January 31 1993. It will bring Bombardier's annual aerospace revenues, including defence products, to around C$3bn, out of a total of about C$4bn, including mass transit equipment and snowmobiles.

"They're getting a very good plant at minimum risk and their timing is right," said Mr Richard Stoneman, engineer and analyst with Deacon Barclays de Zoete Wedd. "They're building critical mass in a single market sector. The aerospace cycle can be tricky, but they've shown they can manage."

Bombardier's aerospace order book now stands at more than C$5bn and its mass transit equipment backlog is about C$2.5bn. The company, including DHC, will have a payroll of nearly 30,000 with plants in seven countries, including the UK, France and Belgium. The mass transit subsidiaries in Europe are being meshed in a new holding company.

Bombardier has successfully turned three ugly ducklings of aerospace around and must now repeat the process at DHC. The timing, at least, seems favourable. The workforce has given the deal an enthusiastic welcome, and the commercial aircraft market seems finally to be climbing out of its Gulf war tailspin.

INTERNATIONAL COMPANIES AND FINANCE

Chemicals group puts its house in order

Ronald van de Krol looks at plans to restructure Akzo into a more cohesive unit

MR Aarnout Loudon, the chairman of Akzo, has embarked this month on the final and probably the most radical phase of his five-year-old mission to foster greater unity at the Dutch chemicals group.

In many ways, his plan for a "drastic" reorganisation of Akzo's structure, unveiled in a message to staff on January 8, also marks the effective completion of the merger which created the company 23 years ago.

As part of the reorganisation, scheduled to be completed by the end of May 1993, Akzo is to strip the layer of management which separates its headquarters in Arnhem from its 40 business units. The company, which had turnover of Fl 17.25bn ($9.6bn) and net profit before extraordinary items of Fl 716m in 1990, is active in fields ranging from fibres, coatings and pharmaceuticals to speciality chemicals, basic chemicals and salt.

The restructuring will be accomplished by merging Akzo's headquarters staff with the staff of its five divisions. The divisions will then be eliminated, ensuring that the company's 40 business units, to be grouped in four new product-group "clusters" – chemicals, fibres, coatings and pharmaceuticals – will report directly to a revamped management board.

Up to 1,000 jobs could be affected by the decision to move divisional staff from around the Netherlands and neighbouring Germany to Arnhem. The reshuffle comes on top of thousands of job losses resulting from Akzo's continuing cost-cutting programme, particularly in its fibre businesses. The company has a total workforce of 64,000.

Mr Loudon, 55, who joined Akzo in 1969, the year of the merger, and later became its chairman in 1982, said the company's existing structure had proved to be inefficient. "It led to communication lines which were far too long, to the risk of misunderstandings, and to the slow execution of decisions," he said.

Until 1987, Akzo was a loose federation of independent-minded divisions, a legacy of the merger which brought together AKU, an international, Dutch-based fibres group, and KZO, a wide-ranging domestic chemicals, pharmaceuticals and salt concern. Soon after the merger, Akzo was plunged into the fibres crisis of the 1970s, preventing the newly-formed group from coming to grips with the inefficiencies of its corporate structure.

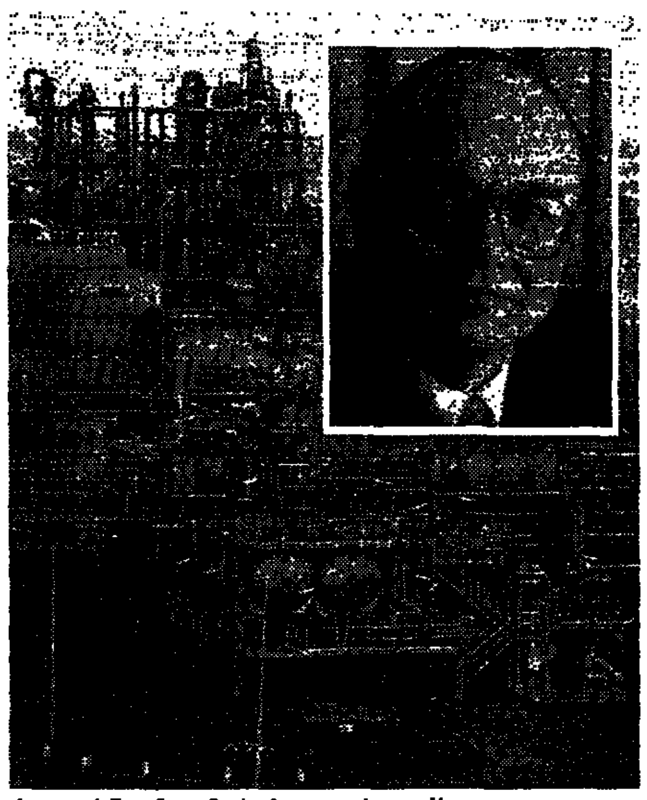
Then, under Mr Loudon in the early to mid-1980s, Akzo made a series of big acquisitions, many of them in the US, leaving little time for internal matters.

Since 1987, however, Akzo has tried to concentrate foremost on putting its own house in order. An internal and external "corporate identity" campaign was launched, an exercise which included the fashioning of a new logo – a stylised figure of a man holding his arms outstretched above the company's name.

Once-proud names of group subsidiaries, such as Enka in the field of fibres and Sikkens in paints, were replaced by the Akzo name as part of efforts to create a single corporate culture.

Mr Loudon said his latest reorganisation, which follows the decision in 1989 to introduce dozens of business units within the divisions, is bound to enhance profitability at Akzo, though he said it was impossible to quantify the improvement in terms of bottom-line results.

He denied that the organisational shake-up was a response to a downturn in Akzo's results in 1990 and 1991. "Our motivation is the desire to shorten the lines of communication with our business units and is entirely unrelated to developments in the chemicals industry in 1991," he said. Figures for 1991 are scheduled to be released on February 26.


Aarnout Loudon: fostering greater unity

Mr Loudon's speech to staff was well-received on the Amsterdam bourse, where Akzo's shares have risen by nearly 8.5 per cent since January 8 to around Fl 138.00, outstripping the market's gain of roughly 6 per cent over the same period.

The buoyancy of Akzo's shares is partly the result of expectations that the company stands to benefit from an upturn in the US economy and a firmer dollar. Another factor, however, was Mr Loudon's simultaneous announcement that Akzo planned to divest more of its weakest operations and that it might seek partnerships for some other activities which have reasonably strong, or potentially strong, market positions.

Akzo has said an analysis of its weaknesses and strengths showed that its strongest business units, such as pharmaceuticals and chlor-alkali products, generated 80 per cent of operating profit on just 45 per cent of turnover. The middle range of activities, encompassing industrial fibres, among others, accounted for 25 per cent of operating profit and 40 per cent of turnover.

However, the weakest of Akzo's businesses, accounting for 15 per cent of turnover, were persistently loss-making on balance.

So far, Mr Loudon said, half of this category had already been removed from Akzo's books, through plant closures, outright divestments – such as the sale of the group's majority stake in Spanish fibre company La Seda de Barcelona – or through an exchange of assets with fellow Dutch chemicals group DSM. In mid-1991, Akzo agreed to swap its engineering plastics activities for DSM's powder coatings business.

Since late 1989, Akzo has pursued a more restrained acquisitions policy compared with the mid-1980s, and this will continue. "But, of course, things are never black-and-white, for either a company or for a person," Mr Loudon said. "If a strategic acquisition comes our way, we will look at it very seriously."

Recent examples of strategic takeovers are Akzo's purchase of a US tyre yarn plant from Goodyear and its acquisition of Macpherson, a leading UK paint manufacturer.

On the whole, however, Akzo's attention for the next couple of years will clearly be focused not on takeovers but on reshaping its internal structure, a project which is likely to be Akzo's last big overhaul for the rest of the 1990s.

The reorganisation will also be Mr Loudon's last. Due to retire by 1998, he has made clear that he will probably leave earlier, but not before Akzo has finally been reshaped into a more cohesive unit.

Public lifts pre-tax profit 28% to M$164m

By Lim Siong Hoon in Kuala Lumpur

PUBLIC, Malaysia's fourth largest domestic bank, has reported a 28 per cent rise in pre-tax profit to M$164m (US$63m) last year from M$128m in 1990.

The group, which has interests in stockbroking and finance, has been active abroad for the past two years, with acquisitions and investments in a finance company in Hong Kong, 40 per cent of Bancorp in New Zealand and ventures in Sri Lanka and Vietnam.

It marked its 25th anniversary with a 36 per cent improvement in turnover to M$1.03bn from M$753m.

Attributable profit was 38 per cent higher at M$100m, giving a 12 per cent return on equity capital and earnings per share of 9.1 cents, compared with 7.4 cents.

Public raised its dividend payout 7 per cent to M$30.6m, or 4.25 cents a share.

Group assets were 39 per cent higher at M$13.8bn, while deposits rose by 40 per cent to M$12.1bn and by 28 per cent in loans to M$6.2bn. Shareholders' equity stands at M$838m.

Eon in M$31m expansion

EDARAN Otomobil Nasional (Eon), the sole Malaysian Proton car distributor, will buy land and a stockbroking company for a combined M$31.5m (US$11.9m), writes Lim Siong Hoon.

The group, 49 per cent owned by the government, this month expanded its capital base by 18 per cent to M$220m.

Toyota Motor to offer non-recourse financing to dealers

By Steven Butler in Tokyo

TOYOTA Motor, Japan's largest car-maker, is expanding the operations of its fast-growing finance subsidiary by offering non-recourse financing to Toyota dealers in Japan.

Toyota said yesterday Toyota Finance Corporation would begin purchasing credits on vehicle instalment payments from Toyota dealers and guarantee customer payments by the end of the year. Since operations began in 1989, Toyota Finance has confined its business to lending money to Toyota dealers, who take vehicle loans on to their books and administer the loans.

The expansion of Toyota Finance's business is a reflection of changes in the financial and vehicle marketing environment, but it also represents an important step in the growth of a business with huge potential. Toyota Finance will begin accumulating a large databank on Toyota customers that will put it in position to move into other consumer financial services – from credit cards and consumer loans to insurance. Some of these ideas are under consideration by the Toyota management, although no plans have been fixed.

A senior Toyota Finance executive said yesterday he expected Toyota Finance would become a major part of Toyota's business in the future, along the lines of the General Motors Acceptance Corporation, the finance arm of General Motors.

Toyota said the offering of non-recourse finance was demanded by its dealers who, because of Japan's labour shortage, are having difficulting managing the administration of loans. The Bank of International Settlement capital adequacy requirements were also forcing banks to seek more profitable business, such as consumer finance. Toyota would have to offer similar services to compete.

Toyota Finance now has about Y650bn ($5.27bn) in annual transactions, and it expected to have about Y200bn of annual transactions in non-recourse finance in about three years.

The company had Y403.7bn of outstanding loans at the end of last June.

Although Toyota Motor, a cash-rich company, provided initial funds for Toyota Finance, Toyota Finance is mainly dependent on bank loans for its operations, and expects to end entirely any use of intra-company funding.

Suzuki Motor expansion

SUZUKI Motor, the Japanese maker of small cars, is to expand production in India and Pakistan, AP-DJ reports from Tokyo.

In India, Suzuki will increase its stake in Maruti Udyog, the car-maker's joint venture with the Indian government, to 50 per cent from 40 per cent by acquiring newly-issued stock for Rs220.4m ($8.5m). With the latest move, Maruti Udyog will expand production facilities to an annual capacity of 200,000 units from 130,000 now.

In Pakistan, passenger car production will start in late February at a plant at Pak Suzuki Motor, a joint venture between Suzuki and the Pakistani government.

IBM Australia in red for first time

By Bruce Jacques in Sydney

IBM Australia, offshoot of US computer group International Business Machines, has plunged into the red for the first time in its 60 years of operation in Australia.

The company reported it had turned a A$241m (US$185.3m) profit into a A$389m loss in 1991 on a near-A$600m slide in revenue to A$1.34m from A$1.98m.

The result forms part of a US$2.8m loss reported earlier by the US group.

Despite its own difficulties, the parent has injected A$200m into the Australian offshoot, the first such support package since the early 1980s.

Mr Brian Finn, IBM Australia managing director, said the injection was needed because the Australian company was not generating enough cash and because it needed to maintain balance sheet ratios to hold its debt rating.

The loss reduced shareholders' funds at December 31 to $269m from A$386m and total assets to A$1.79bn from A$2.05bn.

Mr Finn said that widely-defined capital spending, which rose to A$401m from A$362m, would probably increase again in 1992.

He confirmed that IBM Australia expected to complete a 25 per cent staff reduction which would see 1,200 employees leave by the end of February, mainly through voluntary redundancies.

This was expected to cut about A$75 m from costs in a full year.

"We don't intend to incur a second loss in succession," Mr Finn said.

"But we are not expecting economic conditions to improve in 1992. And when you can't get your revenue up, you have to cut costs."

The latest result was before a tax credit of A$142m, against an expense of A$106m previously.

The company's revenue per employee fell to A$335,000 from A$462,000.

Rio Algom shelves disposals

By Bernard Simon in Toronto

RIO ALGOM, 51 per cent owned by Britain's RTZ, has shelved plans to sell its metals distribution subsidiaries in North America and Australasia after failing to attract acceptable offers.

The businesses, which had 1990 sales of C$743m (US$640.5m), were put on the block last February as part of Rio Algom's strategy of focusing on mining.

But the Toronto-based company said yesterday the unexpectedly protracted recession had "affected the level of interest of prospective purchasers". It said offers received so far did not meet its objective of enhancing shareholder value.

Mr Colin Macaulay, Rio Algom's chief executive, said the delayed economic recovery had "significantly altered investment plans of potential buyers in North America and internationally". Rio Algom declined to identify the bidders.

The businesses operate under the names of Atlas Alloys in Canada, Vincent Metals in the US, and Atlas Steels in Australia and New Zealand. They posted a combined operating profit of C$37.3m in 1990, but Rio Algom's third-quarter 1991 report said earnings had been dented by the recession.

● NOVA Scotia has put its loss-making Sydney Steel rail mill up for sale, following a C$275m modernisation.

Sysco, on Cape Breton island, has absorbed nearly C$2bn in public money since being acquired by the province from the former Hawker Canada group in 1968.

Swire Pacific chief steps down

By Simon Holberton in Hong Kong

MR DAVID GLEDHILL, chairman of Swire Pacific, the aviation, property and trading group, will step down in May and will be succeeded by his deputy, Mr Peter Sutch, the company announced yesterday.

Mr Gledhill, 57, has been chairman of Swire, a company controlled by the Swire family and a leading "hong" in the colony, for the past four years.

He said last night that by the time he retires he will have exceeded the company's policy of retiring senior executives at 55 by two-and-a-half years.

"We have a policy of bringing younger people on in the company, and my time has come," he said.

Mr Sutch, 47, in addition to being deputy chairman of the Swire group, is currently chairman of Cathay Pacific – Hong Kong's international airline. He joined Swire in 1966.

Analysts in Hong Kong expected little change in the running of Swire under Mr Sutch.

Given his age, however, Mr Sutch could expect to preside over Swire in the run-up to 1997 – and possibly beyond – when China regains sovereignty over Hong Kong from the British.

Analysts said that although the airline has been suffering in line with other international carriers during the current world downturn, Swire's property investment and industry divisions have been performing well.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 27, 1992 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	55.8682	34.5517	44.5566
Albania	(Lek)	10.1313	5.7029	3.5269	4.5482
Algeria	(Dinar)	38 5419	21 6954	13 4175	17.3027
Andorra	(Fr Fr)	9 7800	5 5052	3 4046	4.3905
	(Sp Peseta)	180.95	101.858	62 9939	81.2345
Angola	(Kwanza)	344.43	193 881	119.906	154.626
Antigua	(E Carr $)	4.8222	2.7144	1.6787	2.1648
Argentina	(Austral)	1.7695	0.996	0.616	0 7943
Aruba	(Florin)	3.1969	1.7995	1.1129	1.4351
Australia	(Aus $)	2.4090	1.356	0.8386	1.0814
Austria	(Schilling)	20.165	11 3509	7.02	9 0527
Azores	(Port Escudo)	247.00	139.037	85.9878	110.887
Bahamas	(Bahama $)	1.7765	1	0.6184	0.7975
Bahrain	(Dinar)	0.6741	0.3794	0 2346	0.3026
Balearic Is	(Sp Peseta)	180.95	101 858	62.9939	81 2345
Bangladesh	(Taka)	67.5297	38.0127	23.509	30.3163
Barbados	(Barb $)	3.5922	2.022	1.2505	1.6126
Belgium	(Belg Fr)	59.05	33.2395	20.557	26.5095
Belize	(B $)	3.5720	2.0106	1.2435	1 6035
Benin	(CFA Fr)	489.00	275.26	170.235	219.529
Bermuda	(Bermudian $)	1 7765	1	0 6184	0.7975
Bhutan	(Ngultrum)	46.3424	26.0863	16.1331	20 8046
Bolivia	(Boliviano)	6.7154	3.7801	2.3378	3.0147
Botswana	(Pula)	3.7774	2.1263	1.315	1.6958
Brazil	(Cruzeiro)	2249.55	1266.28	783 133	1009.9
Brunei	(Brunei $)	2.9140	1.6403	1.0144	1.3081
Bulgaria	(Lev)	32.24	18.148	11.2236	14.4736
Burkina Faso	(CFA Fr)	489 00	275.26	170.235	219.529
Burma	(Kyat)	10.7573	6.0553	3 7449	4.8293
Burundi	(Burundi Fr)	346.25	194.906	120.54	155.443
Cambodia	(Riel)	1339.50	754.011	466.319	601.347
Cameroon	(CFA Fr)	489.00	275.26	170.235	219.529
Canada	(Canadian $)	2.0840	1.173	0.7255	0.9355
Canary Is	(Sp Peseta)	180.95	101 858	62.9939	81.2345
Cp. Verde	(CV Escudo)	125.0111	70.3693	43 5199	56 1217
Cayman Is	(CI $)	1.4824	0.8344	0.516	0.6654
Cent.Afr. Rep	(CFA Fr)	489.00	275.26	170.235	219.529
Chad	(CFA Fr)	489.00	275 26	170.235	219.529
Chile	(Chilean Peso)†	639 87	360.186	222.757	287.259
China	(Renminbi Yuan)	9 7891	5.5103	3.4078	4.3946
Colombia	(Col Peso)	1112.54	626.254	387.307	499.457
Comoros	(CFA Fr)	489.00	275 26	170.235	219.529
Congo (Brazz)	(CFA Fr)	489.00	275.26	170.235	219 529
Costa Rica	(Colon)	242.81	136.679	84.5291	109.006
Côte d'Ivoire	(CFA Fr)	489.00	275.26	170.235	219.529
Cuba	(Cuban Peso)	1.3527	0.7614	0.4709	0.6072
Cyprus	(Cyprus £)	0.8080	0 4548	0.2812	0.3627
Czechoslovakia	(Koruna)	51.21c	28.8263	17.8276	22 9898
		49 38t	27 7962	17.1906	22.1683
Denmark	(Danish Kroner)	11.0725	6 2327	3.8546	4.9708
Djibouti Rep	(Djib Fr)	315 99	177 872	110.005	141 859
Dominica	(E Carrib $)	4 8222	2.7144	1.6787	2.1648
Dominican Rep	(D Peso)	22.4143	12.6171	7.803	10.0625
Ecuador	(Sucre)	2281.88o	1284.48	794 388	1024 41
		2387.21a	1343.77	831.057	1071.7
Egypt	(Egyptian £)	5.9000	3.3211	2.0539	2.6487
El Salvador	(Colon)	14.3108	8.0556	4.982	6.4246
Equat'l Guinea	(CFA Fr)	489.00	275.26	170.235	219.529
Ethiopia	(Ethiopian Birr)	3 6713	2.0665	1.278	1.6481
Falkland Is	(Falk £)	1.00	0.5629	0.3481	0.4489
Faroe Is	(Danish Kroner)	11.0725	6.2327	3.8546	4.9708
Fiji Is	(Fiji $)	2.6630	1.499	0.927	1.1955
Finland	(Markka)	7.8153	4.3992	2.7207	3.5085
France	(Fr)	9.7800	5.5052	3 4046	4 3905
Fr. Cty/Africa	(CFA Fr)	489.00	275.26	170.235	219 529
Fr. Guiana	(Local Fr)	9 7800	5.5052	3.4046	4.3905
Fr. Pacific Is	(CFP Fr)	176.68	99.4539	61.5073	79.3176
Gabon	(CFA Fr)	489.00	275.26	170.235	219.529
Gambia	(Dalasi)	15 8775	8.9375	5 5274	7.1279
Germany	(D-Mark)	2.8725	1.6169	1	1.2895

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	698 685	393 293	243.232	313 663
Gibraltar	(Gib £)	1.00	0.5629	0 3481	0.4489
Greece	(Drachma)	331.20	186.434	115.3	148.687
Greenland	(Danish Krone)	11 0725	6 2327	3.8546	4 9708
Grenada	(E Carr $)	4.8222	2.7144	1.6787	2.1648
Guadaloupe	(Local Fr)	9.7800	5 5052	3 4046	4.3905
Guam	(US $)	1.7765	1	0.6184	0 7975
Guatemala	(Quetzal)	9 0482	5.0932	3 1499	4.062
Guinea	(Fr)	1450.75	816 634	505.048	651 291
Guinea-Bissau	(Peso)	8930.00	5026.74	3108 79	4008.98
Guyana	(Guyanese $)	216.57	121.908	75.3942	97.2255
Haiti	(Goude)	8 9300	5	3.1087	4 0089
Honduras	(Lempira)	9.7206	5.4717	3.384	4 3639
Hong Kong	(HK $)	13.8375	7 7891	4 8172	6.2121
Hungary	(Forint)	138.63	78.0354	48 261	62.2356
Iceland	(Icelandic Krona)	103 82	58.4407	36 1427	46.6083
India	(Indian Rupee)	46.3424	26.0863	16 1331	20 8046
Indonesia	(Rupiah)	3604.70	2029.1	1254.9	1618.27
Iran	(Rial)	2563.00v	1442.72	892 254	1150 62
		116.10o	65.3532	40 4177	52.1212
Iraq	(Iraqi Dinar)	0.5936	0.3341	0.2066	0.2664
Irish Rep	(Punt)	1.0775	0 6065	0.3751	0 4837
Israel	(Shekel)	4.1430	2.3321	1.4422	1.8599
Italy	(Lira)	2154.50	1212.78	750.044	967 228
Jamaica	(Jamaican $)	34.6175	19.4863	12 0513	15.5409
Japan	(Yen)	222.75	125.387	77.5456	100
Jordan	(Jordanian Dinar)	1.2019	0.6765	0.4184	0.5395
Kenya	(Kenya Shilling)	51.0617	28.7428	17 776	22.9233
Kiribati	(Australian $)	2.4090	1.356	0.8386	1.0814
Korea North	(Won)	1 7324	0.9751	0 603	0 7777
Korea South	(Won)	1373 425	773 107	478.129	616.577
Kuwait	(Kuwaiti Dinar)	0.52195	0.2937	0.1816	0.2342
Laos	(New Kip)	1259.13	708.77	438 339	565.266
Lebanon	(Lebanese £)	1572.70	885 28	547.502	706 038
Lesotho	(Maluti)	5.0033	2.8163	1 7417	2 2461
Liberia	(Liberian $)	1.7765	1	0.6184	0 7975
Libya	(Libyan Dinar)	0.4924	0 2771	0.1714	0.221
Liechenstein	(Swiss Fr)	2.5525	1.4368	0.8885	1 1459
Luxembourg	(Lux Fr)	59.05	33.2395	20 557	26.5095
Macao	(Pataca)	14 3159	8.0584	4.9837	6.4268
Madagascar	(MG Fr)	2900.75	1632.85	1009.83	1302.24
Madeira	(Port Escudo)	247.00	139.037	85.9878	110.887
Malawi	(Kwacha)	4.8401	2.7245	1.6849	2.1728
Malaysia	(Ringgit)	4 7330	2.6642	1.6476	2.1248
Maldive Is	(Rufiya)	18.9048	10.6415	6.5813	8 487
Mali Rep	(CFA Fr)	489.00	275.26	170.235	219.529
Malta	(Maltese £)	0.5680	0.3197	0.1977	0 2549
Martinique	(Local Fr)	9.7800	5.5052	3.4046	4.3905
Mauritania	(Ouguiya)	145.4697	81.8855	50.6421	65.3062
Mauritius	(Maur Rupee)	27.00	15.1984	9.3994	12.1212
Mexico	(Mexican Peso)	5498.20a	3094.96	1914.08	2468.33
Miquelon	(Local Fr)	9.7800	5 5052	3.4046	4.3905
Monaco	(French Fr)	9.7800	5 5052	3.4046	4 3905
Mongolia	(Tugrik)	75.01	42.2234	26.1131	33.6745
Montserrat	(E Carr $)	4.8222	2.7144	1.6787	2.1648
Morocco	(Dirham)	15.26	8.5899	5 3124	6.8507
Mozambique	(Metical)	3356 70	1889.5	1168.56	1506.94
Namibia	(S A Rand)	5 0033	2.8163	1.7417	2.2461
Nauru Is	(Australian $)	2.4090	1 356	0.8386	1.0814
Nepal	(Nepalese Rupee)	76.26	42.9271	26.5483	34.2356
Netherlands	(Guilder)	3 2300	1.8181	1.1244	1.45
N'nd Antilles	(A/Guilder)	3.1969	1.7995	1.1129	1.4351
New Zealand	(NZ $)	3.31775	1.8675	1.1549	1.4894
Nicaragua	(Gold Cordoba)	8.9300	5.0267	3.1087	4.0089
Niger Rep	(CFA Fr)	489.00	275 26	170.235	219.529
Nigeria	(Naira)	16.8420	9.4804	5.8631	7.5609
Norway	(Nor. Krone)	11.2550	6.3354	3.9181	5.0527
Oman	(Rial Omani)	0.6884	0.3875	0.2396	0.309

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	43.8586	24.6882	15 2684	19 6896
Panama	(Balboa)	1 7765	1	0 6184	0.7975
Papua New Guinea	(Kina)	1.7140	0.9648	0.5966	0 7694
Paraguay	(Guarani)	2529 78	1424.02	880.689	1135.7
Peru	(New Sol)	1 7300	0 9738	0.6022	0 7766
Philippines	(Peso)	45 8237	25 7943	15 9525	20.5718
Pitcairn Is	(£ Sterling)	1.00	0.5629	0.3481	0.4489
	(NZ $)	3.31775	1.8675	1.1549	1 4894
Poland	(Zloty)	20430.00	11500.1	7112 27	9171 72
Portugal	(Escudo)	247 00	139.037	85.9878	110.887
Puerto Rico	(US $)	1.7765	1	0.6184	0 7975
Qatar	(Riyal)	6 5083	3 6635	2.2657	2.9217
Reunion Is. de la	(F/Fr)	9.7800	5.5052	3 4046	4.3905
Romania	(Leu)	348.78q	196.33	121.42	156.579
Rwanda	(Fr)	215 40	121.25	74.9869	96.7003
St Christopher	(E Carr $)	4 8222	2.7144	1 6787	2.1648
St Helena	(£)	1 00	0.5629	0 3481	0 4489
St Lucia	(E Carr $)	4 8222	2.7144	1.6787	2.1648
St Pierre	(French Fr)	9.7800	5.5052	3.4046	4.3905
St Vincent	(E Carr $)	4.8222	2 7144	1.6787	2.1648
San Marino	(Italian Lira)	2154.50	1212.78	750.044	967.228
Sao Tome	(Dobra)	428.64	241 283	149.222	192.431
Saudi Arabia	(Riyal)	6.7055	3 7745	2.3343	3 0103
Senegal	(CFA Fr)	489.00	275.26	170 235	219.529
Seychelles	(Rupee)	9 1647	5 1588	3 1904	4.1143
Sierra Leone	(Leone)	749 40	421 841	260.888	336 431
Singapore	($)	2 9140	1.6403	1.0144	1.3081
Solomon Is	($)	5.0170	2.824	1.7465	2.2523
Somali Rep	(Shilling)	4679 32	2634.01	1629 01	2100.7
South Africa	(Rand)	5.0033c	2.8163	1.7417	2.2461
		5 7385q	3 2302	1.9977	2.5762
Spain	(Peseta)	180.95	101.858	62 9939	81 2345
Spanish Ports in N Africa	(Sp Peseta)	180.95	101.858	62.9939	81 2345
Sri Lanka	(Rupee)	75.9798	42.7693	26.4507	34.1098
Sudan Rep	(£)	26.7900	15 0802	9.3263	12.0269
Surinam	(Guilder)	3.1880	1.7945	1.1098	1.4312
Swaziland	(Lilangeni)	5.0033	2.8163	1 7417	2.2461
Sweden	(Krona)	10.4250	5 8682	3.6292	4.6801
Switzerland	(Fr)	2.5525	1 4368	0.8885	1 1459
Syria	(£)	37 5060	21.1122	13.0569	16 8377
Taiwan	($)	44.85	25 2462	15.6135	20 1346
Tanzania	(Shilling)	415.0664	233.643	144.497	186.337
Thailand	(Baht)	45 2878	25.4927	15.7659	20.3312
Togo Rep	(CFA Fr)	489 00	275.26	170.235	219.529
Tonga Is	(Pa Anga)	2.4090	1.356	0.8386	1 0814
Trinidad/Tobago	($)	7 5905	4.2727	2.6424	3.4076
Tunisia	(Dinar)	1 6185	0.911	0.5634	0.7265
Turkey	(Lira)	9756.28	5491.85	3396.44	4379.92
Turks & Caicos	(US $)	1 7765	1	0 6184	0.7975
Tuvalu	(Australian $)	2 4090	1.356	0 8386	1.0814
Uganda	(New Shilling)	1745 01	982.274	607.488	783.394
U A E	(Dirham)	6.5665	3.6963	2.2859	2.9479
United Kingdom	(£)	1.00	0.5629	0.3481	0.4489
United States	(US $)	1 7765	1	0.6184	0.7975
Uruguay	(Peso)	4574.32	2574.91	1592.45	2053.57
USSR	(Rouble)♦	1 0172o	0.5725	0.3541	0.4566
		197.48m	111 162	68.7484	88.6554
Vanuatu	(Vatu)	198.50	111.737	69.1035	89.1133
Vatican	(Lira)	2154 50	1212.78	750.044	967.228
Venezuela	(Bolivar)	108 0879	60.8431	37.6285	48.5243
Vietnam	(Dong)	21074.80	11863.1	7336.74	9461.19
Virgin Is-British	(US $)	1.7765	1	0 6184	0.7975
Virgin Is-US	(US $)	1 7765	1	0.6184	0.7975
Western Samoa	(Tala)	4 3141	2.4284	1.5018	1.9367
Yemen (Rep of)	(Rial)	23.1287	13.0192	8.0517	10.3832
Yemen (Rep of)	(Dinar)	0.8305	0.4674	0.2891	0.3728
Yugoslavia	(Dinar)‡	186.487	104 974	64.9214	83.7203
Zaire Rep	(Zaire)	147650.00	83112.9	51401.2	66285.1
Zambia	(Kwacha)	162.5260	91.4866	56.5799	72.9634
Zimbabwe	($)	9.0282	5 082	3.1429	4 053

Special Drawing Rights January 24,1992 United Kingdom £0.781786 United States $1.39899 Germany D Mark 2.25377 Japan Yen173.685
European Currency Unit Rates January 27, 1992 United Kingdom £0.711599 United States $1.27234 Germany D Mark 2.04274 Japan Yen158.788

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate: (k) Buying rate: (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate, (q) convertible rate, (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate :‡Yugoslavia. 25.1 92: Dinar deavlued by approx. 80pc. †Chile 23 1.92:Peso revalued by approx. 5pc.♦USSR·New exchange rate system introduced
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5
Monday January 27, 1992

INTERNATIONAL CAPITAL MARKETS

Treasuries quiet ahead of State of the Union address

By Patrick Harverson in New York and Sara Webb in London

A RELUCTANCE to trade heavily before this evening's State of the Union address by President George Bush left Treasury prices little changed in light trading yesterday.

In late trading, the benchmark 30-year government issue was down ⅛ at 103½, yielding 7.716 per cent. The two-year note, however, was down 1/32 at 99 31/32, to carry a yield of 5.175 per cent.

Although most of the details of Mr Bush's annual address have been reported in the press, the bond market remains concerned about the extent of any tax cuts announced by the President. In particular, the investors and dealers are worried that heavy tax cuts could overheat the economy and revive inflationary pressures, and they are worried that national deficit could widen as a result of over-generous fiscal fine-tuning.

GOVERNMENT BONDS

Market participants also had an eye yesterday on the latest Conference Board consumer confidence index, which will be published this morning, and more important economic statistics, including the January employment report which will be unveiled at the end of next week. The Conference Board is expected to report a modest decline in consumer confidence, while the unemployment rate is forecast to rise slightly in January from 7.0 per cent in December to 7.1 per cent.

■ SHORT-DATED UK government bonds firmed slightly on hopes of a cut in interest rates, but long-dated issues ended the day slightly lower ahead of Wednesday's gilt auction.

Traders said sterling's strength raised hopes of a half-point cut in the base rate, with the 10 per cent gilt due 1994 rising from its opening of 100 13/32 to 100 15/32 by late afternoon.

The weekend's opinion polls – which showed the ruling Conservative party up to 3 points ahead of the Labour party, helped to lift long-dated gilt prices early in the day. However, longer-dated issues drifted back later, and the benchmark 11¾ per cent gilt due 2003/07 fell from its opening of 115 15/32 to 115 13/32 to yield 9.45 per cent.

Volumes in the futures market were low at 7,000 contracts, and the Liffe gilt futures contract fell from 97.11 to 97.07 by late afternoon.

Traders reported some buying of the 2½ per cent index-linked stock due 2001 which the Bank of England announced for sale on Friday. The Bank is to sell two tranches of £150m each – the 2½ per cent due 2001 and the 2½ per cent index-linked gilt due 2009.

■ GERMAN government bonds slipped on low volumes during the day, with traders indicating little reaction to the Group of Seven nations' weekend meeting.

The Liffe bund futures contract, which opened at 88.32, traded down to a low of 88.11 and ended the day at 88.13 on a volume of about 28,000 contracts.

■ JAPANESE government bonds barely changed on the day after the weekend G7 meeting in New York produced no firm statement in support of a strong yen.

The yield on the benchmark No 129 closed at 5.235 per cent, having traded in a narrow range of 5.225 per cent to 5.245 per cent on low volumes.

Bankers and ministers at the meeting agreed to increase co-operation to strengthen global economic growth and to continue monitoring and co-operating in the foreign exchange markets.

Traders said many bond market participants were waiting on the sidelines ahead of tomorrow's expected auction of 10-year government bonds. The Finance Ministry is expected to auction about Y800bn of the No 145 issue, which has a coupon of 5.5 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	111.9472	-	10.03	[illegible]	[illegible]
BELGIUM		9.000	08/01	102.0500	-0.050	[illegible]	[illegible]	[illegible]
CANADA *		8.500	04/02	100.4000	-0.300	8.43	[illegible]	[illegible]
DENMARK		9.000	11/00	102.7500	-0.300	[illegible]	[illegible]	[illegible]
FRANCE	BTAN	8.500	11/96	99.2128	-0.038	[illegible]	[illegible]	[illegible]
	OAT	9.500	01/01	106.4200	-0.060	8.45	8.48	[illegible]
GERMANY		8.25	09/01	102.0700	-0.100	7.98	7.90	8.10
ITALY		12.000	06/01	98.3500	-0.440	12.28	[illegible]	[illegible]
JAPAN	No 119	4.800	06/99	98.1967	-	5.33	[illegible]	[illegible]
	No 129	6.400	03/00	106.6641	-0.069	[illegible]	[illegible]	[illegible]
NETHERLANDS		8.500	09/01	100.7700	+0.020	8.37	[illegible]	[illegible]
SPAIN		11.900	07/98	101.6500	-	11.88	11.40	[illegible]
UK GILTS		10.000	11/96	101-19	+3/32	9.67	9.61	[illegible]
		10.000	02/01	102-31	+0/32	9.51	9.47	[illegible]
		9.000	10/08	97-31	-2/32	9.24	9.18	[illegible]
US TREASURY *		7.500	11/01	101-23	+0/32	7.24	7.10	[illegible]
		8.000	11/21	103-05	-5/32	7.72	[illegible]	[illegible]

London closing, *New York closing
Prices: US, UK in 32nds, others in decimal
Yields: Local market standard
Technical Data/ATLAS Price Sources

Accumulator Invest rescue collapses

By Hilary Barnes in Copenhagen

ACCUMULATOR Invest, a property and investment company dominated by Mr Klaus Riskaer Pedersen, a Danish Euro MP, went into receivership yesterday.

Mr Pedersen said he believed all creditors would be paid in full. The collapse of the company, which had at one time made Mr Pedersen a wealthy man, came when an attempt to reorganise the company, by excluding Mr Pedersen from any influence over company affairs and appointing a lawyer as chairman, came undone.

One consequence of the collapse was the immediate closure of one of the country's oldest and most prestigious provincial newspapers, Frederiksborg Amtsavis, which was one of a group of newspapers acquired by Mr Pedersen in 1990.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107⅛		6.38
ALBERTA PROVINCE 9 3/8 95	600	108⅜	109¼	-⅛	6.61
AUSTRIA 8 1/2 00	400	105⅝	106	-⅛	7.54
BANK OF TOKYO 8 3/8 96	100	104¼	104⅝		7.12
BELGIUM 9 5/8 98	250	110⅝	111¼	-⅛	7.47
BFCE 7 3/4 97	150	103	103⅜	-⅛	7.02
BNP 8 5/8 94	300	106⅛	106½	-⅛	5.91
BRITISH GAS 8 3/8 99	350	104½	105	-⅛	7.56
CANADA 9 96	1000	108⅝	109	-⅛	6.55
CARCO 9 1/4 96	650	103	103⅜	-⅛	8.41
CCCE 9 1/4 95	300	108⅜	108⅝	-⅛	6.18
COUNCIL EUROPE 8 96	100	104½	105		6.79
CREDIT FONCIER 9 1/2 99	300	110⅝	111¼	-⅛	7.48
DENMARK 8 1/4 94	150	105¼	105⅝	-⅛	5.95
DENMARK 9 1/4 95	1571	108⅜	108⅝	-⅛	6.23
ECSC 8 1/4 96	193	105⅝	106¼	-⅛	6.84
EEC 8 1/4 96	100	105½	106		6.75
EIB 7 3/4 96	250	103⅝	104⅛	-⅛	6.73
EIB 9 1/4 97	1000	109⅞	110¼	-⅛	7.10
ELEC DE FRANCE 9 98	200	107⅞	108⅜	-⅛	7.35
EURO CRED CARD TST 9 94	325	104	104⅜	-⅛	7.30
EUROFIMA 9 1/4 96	100	108¼	109	-⅛	6.91
EXPORT DEV CORP 9 1/2 98	150	110⅛	110⅝	-⅛	7.43
FINLAND 7 7/8 97	200	102⅞	103⅜	-⅛	7.20
FINNISH EXPORT 9 3/8 95	200	108⅝	109¼	-⅛	6.68
FORD CAPITAL 9 3/4 97	250	105⅝	106¼	-⅛	8.36
GEN ELEC CAPITAL 9 3/8 96	300	108¼	108⅝		7.12
GMAC 9 1/8 96	200	103⅞	104⅛		8.01
GUINNESS FINANCE 8 94	200	104	104½	-⅛	6.17
IBM INTL FIN 7 3/4 94	200	104	104½	-⅛	5.76
IND BK JAPAN FIN 7 7/8 97	200	102¼	102⅞	-⅛	7.33
INTER AMER DEV 7 5/8 96	200	103⅜	103⅞		6.74
ITALY 8 1/2 94	1500	106⅜	106⅝	-⅛	5.90
JAPAN DEV BK 8 94	150	104½	105	-⅛	5.84
KANSAI ELEC PWR 10 96	350	110½	111	-⅛	7.00
LTCB FIN 8 97	200	102⅛	102⅝	+⅛	7.47
NEW ZEALAND 9 94	850	106½	106⅞	-⅛	6.18
NIPPON CRED BK 10 3/8 95	150	109⅞	110⅞	-⅛	7.02
NIPPON TEL & TEL 9 3/8 95	200	108¼	108⅝	-⅛	6.39
ONTARIO 8 1/2 01	600	103¼	103⅝	-⅛	7.98
ONTARIO HYDRO 11 5/8 94	200	110⅝	111¼	-⅛	5.98
OSTER KONTROLLBANK 8 1/2 01	200	105	105⅜		7.71
PETRO-CANADA 7 1/4 96	200	101¼	101⅞	-⅛	6.89
QUEBEC HYDRO 9 3/4 98	150	109⅞	110¼		7.80
QUEBEC PROV 9 98	200	106½	106⅝		7.71
SAINSBURY 9 1/8 96	150	106⅝	107⅜	-⅛	7.38
SAS 10 99	200	106	107¼	-⅛	8.82
SBAB 9 1/2 95	500	108⅝	109¼	-⅛	6.52
SNCF 9 1/2 98	150	110⅛	110½		7.46
STATE BK NSW 8 1/2 96	200	104¼	104⅝	-⅛	7.32
SWEDISH EXPORT 8 3/8 96	700	105⅝	106	-⅛	9.18
TOKYO ELEC POWER 8 3/4 96	300	106½	107	-⅛	7.02
TOKYO METROPOLIS 8 1/4 96	200	105½	105⅞		6.85
WORLD BANK 8 3/8 99	1500	106¼	106⅝	-⅛	7.43
WORLD BANK 8 3/4 97	1500	108⅜	108⅝		6.83
XEROX CORPN 8 3/8 96	100	102½	103⅛		7.70

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AMRO BANK 5 3/4 94	200	93⅞	94⅛	+⅛	8.95
BAPROVEN 11 1/8 95	200	100½	101	-⅛	10.91
BULGARIAN TRADE BK 8 1/2 96	200	83⅛	83⅝		13.71
CZECH OBCHODNI BANKA 10 95	350	97	97¼		11.03
DAI-ICHI KANGYO 5 1/2 94	300	93⅞	93⅞	+⅛	8.99
DEUTSCHE FINANCE 7 1/2 95	1000	99⅛	99⅜	-⅛	7.79
EIB 5 3/4 98	400	91	91		7.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.80
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅛	99⅛		9.21
WORLD BANK 8 96 LFr	1000	96½	97½		9.01
UNILEVER 9 00 Fl	500	104⅝	105⅛		8.28
ALBERTA PROVINCE 10 5/8 96 C$	500	105⅛	105⅞	-⅛	8.90
BELL CANADA 10 5/8 99 C$	150	106	106½	-⅛	9.45
BRITISH COLUMBIA 10 96 C$	500	103½	103⅞	-⅛	8.97
EIB 10 1/8 98 C$	130	105⅛	106⅛	-⅛	8.99
ELEC DE FRANCE 9 3/4 99 C$	275	103½	104	-⅛	9.07
FORD CREDIT CANADA 10 94 C$	100	101⅞	102½	+⅛	9.15
GEN ELEC CAPITAL 10 96 C$	300	103⅜	103⅞	-⅛	9.01
KFW INT FIN 10 01 C$	400	104⅜	104⅞	-⅛	9.26
NIPPON TEL & TEL 10 1/4 94 C$	200	105⅛	106	-⅛	9.21
ONTARIO HYDRO 10 7/8 99 C$	500	107¼	107⅝	-⅛	9.43
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅜	106¼	-⅛	9.14
QUEBEC PROV 10 1/2 98 C$	200	105½	105⅞	-⅛	9.44
BELGIUM 9 1/8 96 Ecu	1250	101⅛	102	-⅛	8.59
CREDIT LYONNAIS 9 96 Ecu	125	98⅞	99⅞	+⅛	9.38
DENMARK 7 5/8 96 Ecu	250	93⅛	94⅛	-⅛	9.66
EEC 7 5/8 94 Ecu	200	97⅞	98¼	-⅛	8.84
EIB 10 97 Ecu	1125	106⅛	106⅝		8.42
FERRO DEL STAT 10 1/8 98 Ecu	500	106½	106⅞	-⅛	8.67
ITALY 10 3/4 00 Ecu	1000	112⅛	112½		8.58
UNITED KINGDOM 9 1/8 01 Ecu	2750	104⅜	104⅝	-⅛	8.35
BP AMERICA 12 1/4 96 A$	100	106⅜	106⅞	-⅛	10.25
COMM BK AUSTRALIA 13 3/4 99 A$	100	115⅛	115⅝	-⅛	10.88
EKSPORTFINANS 12 3/8 95 A$	75	110⅛	110⅝	-⅛	8.72
EUROFIMA 14 5/8 94 A$	75	110⅜	111		9.25
MCDONALDS CANADA 15 95 A$	100	113	113⅝	-⅛	10.36
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109½	110⅛	-⅛	9.42
STATE BK NSW 14 1/4 99 A$	100	116	116½	-⅛	11.02
UNILEVER AUSTRALIA 12 98 A$	150	107¼	107⅞	-⅛	10.34
VOLKSWAGEN INTL 15 94 A$	100	109⅜	110⅛	-⅛	9.36
ABBEY NATL TREAS 13 3/8 95 £	100	107⅛	108	+⅛	10.36
ALLIANCE & LEICS 11 3/8 97 £	100	102⅜	102⅞		10.76
BRITISH GAS 12 3/4 95 £	300	106⅛	106⅝	+⅛	10.38
BRITISH LAND 12 1/2 16 £	150	105⅛	105⅝		12.18
DEUTSCHE BK FIN 11 94 £	225	101⅞	102⅜	+⅛	9.90
EIB 10 97 £	536.5	100⅝	100⅞	+⅛	9.83
FINLAND 10 1/8 97 £	100	100⅝	101⅛	+⅛	9.95
ITALY 10 1/2 14 £	400	101⅛	101⅝	+⅛	10.33
LAND SECS 9 1/2 07 £	200	87⅞	88⅜		11.18
NORWAY 10 1/2 94 £	200	101	101⅜		9.92
ONTARIO 11 1/8 01 £	100	104⅛	104⅝		10.40
SEVERN TRENT 11 1/2 99 £	150	103⅞	104⅜		10.79
SKANDINAVISKA ENSK 13 1/8 95 £	100	106	106½	+⅛	10.72
TOKYO ELEC POWER 11 01 £	150	104⅛	105⅛		10.17
WORLD BANK 11 1/4 95 £	100	103⅛	103⅝	+⅛	10.00
ABBEY NATIONAL 0 96 NZ$	100	65⅛	66⅛	-⅛	9.58
BNP 12 96 NZ$	58	109⅛	110⅛	+⅛	9.29
CEPME 10 95 FFr	2000	103	103⅜		8.92
ELF-AQUITAINE 9 99 FFr	600	101⅜	101⅞		8.73
EURATOM 7 5/8 98 FFr	500	94½	95¼	+⅛	8.82

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.51	99.61	10.7875
BANCO ROMA 0.03 01	200	91.88	92.98	4.4250
BELGIUM 1/16 97 DM	500	99.96	100.06	9.5000
BFCE -0.02 96	350	100.24	100.34	4.9875
BNP 05	300	96.42	97.27	5.0625
BRITANNIA 1/10 96 £	150	99.09	99.27	10.7875
CCCE 06 ECU	200	99.92	100.00	10.1563
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month highest above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

National Bank of Hungary launches DM600m issue

By Tracy Corrigan

THE National Bank of Hungary, the Hungarian government's borrowing conduit, yesterday launched its largest bond offering to date in the international capital markets, a DM600m issue of seven-year bonds.

INTERNATIONAL BONDS

The perception of Hungary's credit in the international capital markets has improved steadily in the past year, allowing the bank, once confined to the Japanese and German markets, to raise funds in a range of sectors.

However, the latest offering of 10¼ per cent seven-year bonds looked too aggressively priced, compared with a DM500m transaction launched last October which carries a coupon of 10¾ per cent and matures in 1998. "The coupon level is of prime importance to retail investors. There is no reason for them to buy these bonds, if they have 10¾ per cent bonds," one trader said.

The bank plans a number of transactions in the international capital markets this year. Its borrowing programme consists entirely of refinancing, totalling $2.4bn. However, about half will be met by funds from agencies such as the International Monetary Fund and the World Bank, leaving around $1.2bn of funding to be completed in the international capital markets.

Interest servicing needs will be covered from Hungary's current account, which is running a trade surplus, according to Mr Bela Sandor, general manager in the international division of the National Bank. "Fresh money will come from direct capital investment throughout the commercial banking sector," he said.

Hungary has also raised Y30bn through an issue of 7 per cent 10-year bonds in the Samurai market – the Japanese domestic market for foreign borrowers.

Hungary's next international offering is likely to be denominated in Ecu or dollars. The government is keen to establish benchmark issues in these sectors, by issuing deals of a reasonably large size – a minimum of $200m or Ecu200m. However, following the latest financings, Hungary has covered its current funding needs until June and will be able to service its debt without reducing its foreign exchange reserves.

In the dollar sector, Chugoku Electric Power, the Japanese electricity utility, launched a $250m five-year bond via Goldman Sachs. The bonds were considered fairly priced, offering a yield spread of 54 basis points above the comparable US Treasury bond.

The dollar sector remains overburdened with paper, and is not being helped by a rather uncertain tone in the underlying US Treasury market. However, the familiar name, coupled with a 7 per cent coupon, attracted firm demand from Japanese investors, according to the lead manager.

In the equity-linked market, Hanwa Company launched a $360m offering of bonds with warrants via Yamaichi. The deal was bid at less ½ point, well within 2½ point fees.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hanwa Co.(a)♦	360	3⅛	100	1996	2¼/1½	Yamaichi Int.
Chugoku Elec.Power(a)†	250	7	99.61	1997	27.5/15bp	Goldman Sachs
D-MARKS						
National Bk of Hungary(a)†	600	10¼	100¼	1999	2¼/1⅜	Deutsche Bank
SWISS FRANCS						
Electricite de France(b)†	150	6½	101⅞	2002	-	SBC
Arbed(c)†	150	7¼	101½	2002	-	UBS
SWEDISH KRONOR						
Deutsche Bk Finance NV(a)†	500	10⅛	101½	1997	1⅞/1¼	Deutsche Bk Cap.Mkts.

★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable after 7 years at 101¼% decreasing by ½% annually. c) Callable after 8 years at 101% decreasing by ½% annually.

DTB introduces Dax index future option

By Tracy Corrigan

THE Deutsche Terminbörse (DTB), the German derivatives exchange, has introduced an option on its Dax index future, its third product linked to the Dax index of 30 German stocks.

An option on the index itself and a Dax future contract are already traded on the exchange. Dealers said the option on the future will be more attractive to institutions, because of its larger contract size (DM100 per index point, like the future, compared with DM10 per point for the option on the index) and lower fees.

In addition, the new options are American style, that is, they can be exercised at any time.

The smaller option contract on the index is widely used by German retail investors, with average daily volume of 38,000 contracts.

The option on the future traded 1,430 contracts in its first day of trading on Friday, a rather slow day in the German stock market. Volume is expected to pick up gradually, as fund managers get to grips with its more complicated structure.

The future contract, also an institutional product, trades around 8,600 contracts a day.

Merchant bank in DM200m offering

By David Waller

THE Berliner Handels-und Frankfurter Bank, the Frankfurt-based merchant bank, is launching an issue of profit-sharing certificates (Genussscheine) packaged together with warrants.

The nominal value of the issue will be DM200m, although the precise amount to be raised for the bank will not be determined until the issued is priced ahead of the planned offer date of March 1.

Shareholders will be offered one certificate (nominal value of DM1,000) plus warrants for every 32 ordinary shares held. Each certificate comes with two warrants, entitling the shareholder to subscribe to one new DM50 ordinary share at two different dates. The certificates will be redeemed on June 30 2003.

Details of the issue – the price of the certificates and the scope of the entitlement to profit share as well as the terms of the warrants – will be fixed and published shortly before the offer is formally launched. The certificates and the new warrants will be traded on the Frankfurt and Berlin stock exchanges.

The bank said it was making this issue in order to strengthen its capital base under the terms of the German Banking Act.

"Given the sustained growth of our business volume, BHF-Bank is pursuing its policy of maintaining its good capital base by taking early capital-raising measures," the bank said.

Genussscheine are a hybrid between debt and equity treated as Tier Two Capital by the Bank for International Settlements and regular liable capital by German regulatory authorities.

Reorganisation at Swiss bank

UNION Bank of Switzerland is restructuring its domestic business to meet growing competition, Reuter reports.

The structure is the latest step in a wider redefinition of strategy for the 1990s.

CME, LSE agree on futures listing

By Barbara Durr in Chicago

THE Chicago Mercantile Exchange and the London Stock Exchange have reached an agreement to allow the CME to list futures and options on futures on the FT-SE 100, Eurotrack 100 and Eurotrack 200 share indices.

The CME's move into foreign index products aims to attract more institutional investors who are seeking ways to manage the risks of their increasingly international portfolios.

According to Lipper Analytical Services, which tracks mutual funds, the assets of US mutual funds that invest in Europe, for example, have more than doubled to $3.5bn at the end of 1991, from $1.8bn at the end of 1989. The number of funds increased over the same period to 28 from 15.

Foreign investment by US pension funds has also soared. Intersec Research, which monitors investments by pensions funds and other tax exempt entities, said overseas assets of US tax exempt investors rose to $93bn by 1990, of which $74bn was in equities, from $27bn, with $24bn in equities, in 1985.

The success of the CME's Nikkei 225 Japanese Stock Average future is a gauge of the demand for foreign index products.

Launched at the end of September 1990, CME trading in the Nikkei has grown steadily, with daily average volume rising to 976 contracts in 1991 from 765 last year. The CME had long hesitated to launch the Nikkei 225 futures for fear that, with the differences in time zones, the lack of a concurrent cash market in the underlying index would inhibit futures investors and traders. But this concern has been neatly demolished with the success of the Nikkei futures.

The new CME contracts, which will enjoy concurrent trading with the cash market in London for a portion of the day, will require US regulatory approval before they can be launched. But CME officials hope to begin trading them inside four months.

The Chicago Board Options Exchange (CBOE) has already won regulatory approval to trade the cash market options on these indices.

The CME, the leading US futures exchange for index products, is home to the Standard & Poor's 500 Stock Index. It also will launch soon futures and options in S&P's MidCap 400 stock index of mid-sized companies.

The primary market for futures on the FT-SE indexes is the London International Financial Futures Exchange (Liffe). For traded options it is the London Traded Option Market (LTOM), which is due to merge with Liffe in March.

The CME plans to work with the Options Clearing Corporation, which clears CBOE trades, to agree on cross-margining of FT-SE futures and options between the CME and the CBOE. The two exchanges have had an agreement on cross margining on the S&P 500 index since 1989.

Expansion fuels German M&A

By David Waller in Frankfurt

THE DRIVE to expand into the former east Germany led to a boom last year in German mergers and acquisitions.

The number of published transactions was up by over a half to 2,172 compared with 1,412 in 1990, according to figures produced by M&A International, a consultancy based in Königstein.

Of the deals, 949 were done in the east, while in the west the number of deals fell by 5 per cent, from 1,296 to 1,223. Despite the surge in the number of deals, the total value of all domestic transactions fell to DM51bn from DM52bn, reflecting the low prices paid for companies in the east.

Despite the activity in the east, west German companies made 246 acquisitions overseas last year, up from 186 in 1990. France was the most popular country for German investment – the number of companies bought there rose from 23 to 44 – followed by the UK and the US, where Germans bought 31 and 30 companies respectively.

In the other direction, foreign companies made 490 – up from 469 – acquisitions in Germany, of which 149 were in the east. The biggest buyers were the Americans, who bought 88 companies, followed by the Swiss with 78, the French with 71 and the British 63. The number of Japanese purchases fell to 17 from 19 last year.

The most active buyers in the former east Germany were the Americans, who made 25 acquisitions there, followed by the Swiss and the French who each made 22 purchases. M&A remarks that "only very few non-German speaking foreigners were investing directly in that market without using already existing west German subsidiaries".

The Treuhandanstalt, the government agency responsible for privatising east German industry, has recently stepped up its marketing efforts to encourage non-German companies to buy there.

World Bank and IFC barred from Spanish bond market

By Tracy Corrigan

THE World Bank and the International Finance Corporation, its private sector finance affiliate, are reported to have been barred from issuing further debt in the Spanish bond market.

The ban is a result of a dispute between the Spanish government and the World Bank, according to market sources.

The argument centres on the Spanish authorities' displeasure at the low number of construction contracts awarded to Spanish companies for World Bank and IFC projects in less-developed countries.

Both agencies have been active borrowers in the "Matador" bond market – the Spanish domestic market for foreign borrowers.

But last week the Spanish Treasury, which regulates the market, refused IFC permission to launch its planned Pta10bn five-year Matador bond issue. Instead, the European investment Bank launched a Pta15bn 10-year deal.

Officials at the Spanish Treasury were unavailable for comment yesterday.

Bank of England to reduce deposits

By Richard Waters

THE Bank of England is to return £200m of interest-free deposits to banks in the UK in the latest of a series of moves to lower its cash ratio requirements.

The Bank said that the change was prompted by its internal financing needs and did not reflect any change in macroeconomic policy.

Until now, banks have had to place 0.4 per cent of their sterling deposits with the Bank in interest-free accounts. This float, currently standing at around £1.6bn, provides the Bank's main source of income to fund its banking operations (although not operations in the money and foreign exchange markets).

The ratio will be reduced to 0.35 per cent on January 31, the Bank said yesterday. It attributed the move to the increase in sterling deposits on which the deposits are made (around 6 per cent in the past year); increased efficiency in its own operations; and its view of how deposits will change over the next four years. The Bank has reserved the right to increase the ratio again at any time up to April 1986.

The Bank does not publish details of its income and expenses, but in the year to last February made an operating profit of £161m (up from £122m the previous year). It also has reserves of more than £800m.

The ratio was last cut a year ago, from 0.45. It had stood at 0.5 per cent before October 1986.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Jan 27 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Jan 24 Index No.	Thu Jan 23 Index No.	Wed Jan 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	782.61	+1.2	8.70	6.14	14.70	0.52	773.50	781.57	781.65	709.29
2 Building Materials (23)	946.46	+1.6	7.35	6.58	18.42	0.44	931.56	942.99	948.49	977.43
3 Contracting, Construction (29)	867.88	+1.0	9.15	8.54	15.80	0.00	859.14	861.58	863.61	1089.09
4 Electricals (7)	2467.95	+0.6	10.06	6.08	12.50	0.00	2453.60	2505.71	2507.41	1893.06
5 Electronics (26)	1736.64	+0.7	10.61	4.95	11.94	1.00	1724.33	1720.32	1731.72	1560.98
6 Engineering-Aerospace (8)	323.22	-1.0	16.70	8.04	7.29	0.74	326.34	334.31	330.99	391.37
7 Engineering-General (43)	486.19	+0.5	9.84	5.10	12.53	0.92	483.68	485.56	485.53	344.83
8 Metals and Metal Forming (10)	332.93	+1.9	2.10	10.43	-	0.00	326.83	326.09	325.11	401.98
9 Motors (13)	300.53	+2.1	8.49	7.93	15.65	0.00	294.43	300.00	297.89	274.37
10 Other Industrial Materials (19)	1615.94	+1.6	7.45	5.07	15.97	0.69	1589.72	1615.32	1610.48	1236.02
21 CONSUMER GROUP (188)	1642.53	+1.3	7.10	3.36	17.34	1.80	1621.84	1628.62	1624.70	1207.63
22 Brewers and Distillers (23)	2053.06	+0.4	8.11	3.45	14.96	7.92	2045.26	2055.45	2056.62	1508.66
25 Food Manufacturing (18)	1226.67	+0.8	8.79	4.14	14.05	2.11	1216.42	1223.51	1224.78	1044.30
26 Food Retailing (17)	2511.41	+2.4	8.80	3.30	14.77	0.39	2453.50	2434.01	2445.64	2414.93
27 Health and Household (24)	4482.92	+2.0	5.07	2.18	22.62	0.88	4394.16	4434.50	4406.02	2575.76
29 Hotels and Leisure (24)	1260.53	+0.3	7.91	5.32	15.62	0.07	1256.57	1268.60	1265.68	1090.27
30 Media (23)	1484.52	+1.0	6.60	3.62	19.07	1.22	1469.59	1462.02	1450.87	1182.60
31 Packaging, Paper & Printing (17)	750.05	+0.1	7.06	4.43	17.17	0.22	749.08	751.85	748.40	495.83
34 Stores (32)	1018.06	+1.5	7.21	3.65	18.38	0.23	1002.59	1005.02	1001.85	767.18
35 Textiles (10)	610.89	+0.3	7.53	5.07	16.94	0.00	608.99	611.24	612.22	396.58
40 OTHER GROUPS (115)	1204.53	+1.3	10.01	5.50	12.60	6.09	1189.62	1197.12	1193.50	1000.06
41 Business Services (16)	1394.27	+1.6	7.19	4.70	17.67	0.00	1371.86	1386.02	1396.62	947.14
42 Chemicals (21)	1472.75	+1.4	6.86	4.97	18.03	0.44	1452.83	1457.60	1457.30	1065.90
43 Conglomerates (11)	1319.72	+1.1	10.99	7.68	11.07	3.11	1305.80	1340.70	1340.06	1268.42
44 Transport (14)	2397.84	+0.2	5.35	4.71	24.62	2.46	2392.29	2435.67	2422.06	1756.67
45 Electricity (16)	1168.75	+1.6	15.52	6.36	8.39	15.30	1150.10	1144.20	1149.65	1055.40
46 Telephone Networks (4)	1374.41	+1.3	11.42	4.56	11.44	15.96	1356.38	1359.04	1344.43	1146.79
47 Water (10)	2308.76	+2.5	18.49	6.89	5.96	0.00	2253.13	2254.74	2224.32	2323.72
48 Miscellaneous (23)	1814.33	+0.9	5.48	5.39	25.13	0.95	1798.86	1802.08	1805.46	1525.91
49 INDUSTRIAL GROUP (481)	1286.51	+1.3	8.28	4.51	15.11	2.88	1270.61	1278.15	1275.40	1022.39
51 Oil & Gas (19)	2168.33	+0.3	11.80	6.47	11.21	8.11	2161.09	2176.50	2173.39	2131.79
59 500 SHARE INDEX (500)	1365.85	+1.1	8.67	4.73	14.55	3.28	1350.33	1358.54	1355.72	1114.90
61 FINANCIAL GROUP (87)	728.37	+0.9	-	6.39	-	0.13	722.14	723.37	729.16	703.34
62 Banks (9)	872.42	+0.5	4.40	6.09	46.19	0.00	868.17	865.31	877.67	754.78
65 Insurance (Life) (6)	1430.51	+1.2	-	5.97	-	0.00	1413.93	1434.28	1430.33	1275.70
66 Insurance (Composite) (7)	514.00	+1.7	-	8.48	-	0.00	505.18	508.10	514.32	614.71
67 Insurance (Brokers) (10)	1031.35	+1.4	7.50	6.48	17.55	1.80	1017.20	1020.75	1017.19	969.86
68 Merchant Banks (7)	462.20	+0.2	-	4.64	-	0.00	461.23	458.52	462.60	334.04
69 Property (34)	792.74	+1.2	6.92	5.83	20.57	0.44	783.35	785.38	785.05	940.70
70 Other Financial (14)	238.26	-0.3	11.20	7.50	11.27	0.00	239.01	240.38	240.91	238.52
71 Investment Trusts (68)	1186.94	+1.2	-	3.67	-	1.66	1173.33	1184.45	1187.52	969.71
99 ALL-SHARE INDEX (655)	1213.90	+1.1	-	4.90	-	2.56	1200.51	1207.29	1206.38	1012.72

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Year ago
FT-SE 100 SHARE INDEX♦	2539.9	+29.5	2547.6	2528.7	2510.4	2525.3	2522.0	2543.4	2544.9	2118.0

FIXED INTEREST

PRICE INDICES	Mon Jan 27	Day's change %	Fri Jan 24	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	121.92	+0.08	121.82	1.70	1.07
2 5-15 years (27)	135.92	+0.09	136.08	1.69	1.78
3 Over 15 years (8)	146.97	+0.06	146.88	2.46	0.00
4 Irredeemables (6)	162.17	+0.02	162.13	2.32	0.00
5 All stocks (67)	134.04	+0.08	134.08	1.80	1.37
Index-Linked					
6 Up to 5 years (2)	168.99	-0.02	169.02	1.19	0.00
7 Over 5 years (9)	149.42	-0.08	149.54	0.45	0.63
8 All stocks (11)	150.99	-0.07	151.09	0.55	0.54
9 Debs & Loans (62)	117.44	+0.09	117.33	2.99	0.09

AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 27	Fri Jan 24	Year ago (approx.)
British Government				
1 Low	5 years	8.75	8.80	9.83
2 Coupons	15 years	9.23	9.24	9.84
3 (0%-7¾%)	20 years	9.23	9.24	9.86
4 Medium	5 years	9.53	9.55	10.62
5 Coupons	15 years	9.33	9.33	10.16
6 (8%-10¾%)	20 years	9.28	9.30	10.03
7 High	5 years	9.77	9.80	10.76
8 Coupons	15 years	9.41	9.41	10.29
9 (11%-)	20 years	9.33	9.33	10.10
10 Irredeemables		9.44	9.44	10.10
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.87	3.86	3.83
12 Inflation rate 5%	Over 5 yrs	4.28	4.27	4.15
13 Inflation rate 10%	Up to 5yrs	3.21	3.19	2.44
14 Inflation rate 10%	Over 5 yrs	4.10	4.09	3.96
15 Debs & Loans	5 years	11.04	11.05	12.54
16	15 years	10.81	10.81	12.50
17	25 years	10.64	10.64	11.89

[illegible] FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Rex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	47	9	23
Other Fixed Interest	4	5	8
Commercial, Industrial	420	180	880
Financial & Property	212	92	489
Oil & Gas	27	7	57
Plantations	1	1	7
Mines	29	20	103
Others	37	55	40
Totals	777	369	1,607

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	71	49	BTR Warrants 1995/96	68	+4	-	-	-	-
-	F.P.	-	120	105	Baillie Gifford Jap Wrrts	105		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible] ... official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Jan. 20
- Last Dealings Jan. 31
- Last Declarations Apr. 23
- For settlement May 5

3-month call rate indications are shown on this page.

Calls in Aviva Pet., BTR warrants '95/96, Burton, Flextech, First Natl. Finance Corp., Hambro Countrywide, Ivernia West, Lonrho, Lucas Inds., Pslon, Stanhope Props. and Wharfedale. Puts in Trencherwood.

LONDON TRADED OPTIONS

[illegible]

Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p								
■ INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	**■ OILS**	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonhro	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**■ MINES**	
Bowater	55	Glaxo	70	Racal Elect	4½	**■ PROPERTY**		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

UK COMPANY NEWS

Maxwell crash sparks fees bonanza

By Bronwen Maddox, Andrew Jack and Robert Rice

PROFESSIONAL FEES related to the collapse of the Maxwell business empire may have topped £11m since last November and could currently total more than £325,000 a day, according to estimates by the Financial Times.

News of the amounts charged comes at a time when the insolvency profession is undergoing severe criticism, including questions about the £75m bill in fees and costs charged by Touche Ross for winding up BCCI.

However, estimates suggest that the Maxwell collapse has already clocked up accountancy bills of more than £5.3m, and legal bills of more than £6m. A conservative estimate of accountants' bills assumes that they have worked only eight hours a day, five days a week, with hourly charge-out rates of £200 per hour for partners and £80 per hour for other staff.

Arthur Andersen, the accountancy firm, has had about 100 staff and 10 partners involved in the administration of the private Maxwell companies since December 5. This suggests a total bill so far of £2.8m or nearly £80,000 a day.

Price Waterhouse, the administrator of Maxwell Communication Corporation, has had an average of about six partners and about 90 staff working since late December – a total of about £1.5m.

Robson Rhodes, the accountancy firm acting as provisional liquidator of Bishopsgate Investment Management, the pension fund manager, have had two partners and the equivalent of 15 other staff full-time investigating pensions since early December, suggesting a bill of £448,000 to date.

Coopers & Lybrand Deloitte appointed two partners and about a dozen staff as investigators to the private Maxwell companies after Mr Maxwell's death: about £218,000.

Touche Ross, the liquidator to First Tokyo Index Trust, a fund controlled by Mr Maxwell, has employed a partner and about seven staff since early December: about £213,000. Other work from Grant Thornton, administrator to Robert Maxwell Estates and administrator or receiver to several other related subsidiaries, has used about five staff and one partner since early December: about £168,000

The firms involved declined to comment on their charges, although several have pointed out that the assumptions behind the hours put in were conservative – they have been sacrificing their evenings and weekends for months.

However, insolvency practitioners respond to general complaints of overcharging by saying that reports of their fees have been exaggerated, that their costs are scrutinised by the courts and creditors, such as banks, which appoint them, and that the fees they receive represent a small proportion of the assets recovered.

The legal bills in the Maxwell case are no less significant. At least 16 leading City law firms and 32 barristers have been involved in the legal quagmire resulting from the collapse of the Maxwell empire, employing an estimated 42 partners and 47 assistant solicitors.

Taking solicitors' charges at an average of £250 an hour for partners and £170 for assistants, that suggests a daily bill of about £148,000. In addition, senior QCs will probably be charging between £400 and £600 an hour.

Since early December most of the solicitors and a third of the barristers will have been working full time on the Maxwell cases, giving total legal costs of the Maxwell collapse of approximately £6m.

Verbal basis of Goldman deals shocks City

By Bronwen Maddox

INSTITUTIONS have expressed surprise that Goldman Sachs, the US investment house, dealt with secretive trusts introduced to it by the late Mr Robert Maxwell simply on the basis of "verbal confirmation" that they were unconnected with Mr Maxwell.

Their comments came as investigators uncovered another offshore trust, TIB Inc, which is understood to be involved in the alleged illicit operation to support the shares of Maxwell Communication Corporation.

Investigators, who now believe that hundreds of millions of pounds missing from Mr Maxwell's public companies were used to prop up MCC's shares, have focused on several deals last spring and summer in which Goldman sold MCC shares to trusts in Liechtenstein and Switzerland.

Although the orders came from the independent lawyers who managed the trusts, the money to buy the shares is now known to have come from Mr Maxwell's private companies, and after dealing, some of the shares were held in private Maxwell companies.

It is illegal under UK company law for a company to use its own funds to buy its shares without shareholder approval.

Before dealing, Goldman obtained verbal confirmation that the buyers were not connected with Mr Maxwell, and obtained written confirmation in all but one case afterwards. However, as indications of the share support operation have emerged, Goldman has become concerned that it could have been misled.

Institutions and brokers with experience of dealing with Goldman were surprised that the investment house had considered verbal confirmation to be sufficient because of its "famously tough" vetting of new clients and other parties with which it deals.

In their view Goldman has been among the most rigorous of the brokers, both in complying with regulations and in protecting itself against credit risk in dealing.

One large institution said yesterday: "They are very definitely in the meticulous camp in all aspects of dealing and it would be extremely unusual for them to relax that."

Another said: "It's a real struggle to get accepted as a client – you have to fill in a mound of paperwork, and if you get a little box wrong, it can all come right back to be done again," while showing the Financial Times the half-inch-thick pile of statements required by Goldman for dealing in futures and options.

There is no suggestion that Goldman has broken the rules of the Securities and Futures Authority in the UK or the Securities Exchange Commission in the US.

According to the SFA's current rules, there is a general obligation on the broker to "know your client" but this does not apply if the broker is approached "for execution only" – simply to transact the deal, rather than to offer investment advice.

However, other brokers said last night that they were reluctant to take on large "execution only" orders because of the credit risk in dealing with unknown parties.

Buy-out team seeks to spur sale of MGN

By Raymond Snoddy

SIR PETER PARKER, the recently appointed chairman of the management buy-out team at Mirror Group Newspapers, is planning a meeting with senior bankers in an attempt to speed up the sale of the popular newspaper group.

There is growing concern in the buy-out team, which includes Mr Richard Stott, editor of the Daily Mirror, that more than three months after the death of Mr Robert Maxwell no formal data is being made available.

Since the collapse of the Maxwell empire the future of MGN is largely in the hands of big banks. The banks hold the 51 per cent of MGN shares that were owned by the private Maxwell interests.

Sir Peter, a former chairman of British Rail, hopes that he can persuade the banks that it is in their interests to go for a sale as quickly as possible.

The buy-out team fears that delays and uncertainties, particularly over issues such as the MGN pension fund, could damage morale at the Mirror group.

There is also concern about the high interest rates that the newspaper group is having to pay on the short-term funding.

Sir Peter's team, backed by Electra, the venture capital group, believes that the basic numbers have not changed since early December. Enough unaudited data should now be available to enable a bid to be put together.

The fear is that both Mr John Talbot, the Arthur Andersen administrator, and the banks are taking a relaxed view about the future of MGN because it is profitable.

There are even signs that if no immediate buyers come forward the banks are prepared to continue running the group for the foreseeable future.

The danger is that the Mirror titles could suffer in the highly competitive popular newspaper marketplace where games backed by heavy television promotion can be vital for maintaining circulation.

Yesterday The Sun launched a new £1m bingo competition. The Daily Mirror is expected to launch its own bingo game soon.

Meanwhile Daily Mirror journalists have discovered that despite uncertainties about the precise level of pensions in the event of their death in service their dependents will be cared for.

Insurance premiums have been paid on members of the pension fund so that widows of Mirror journalists, for example, would receive a lump sum equal to three times salary plus continuing payments of a quarter of salary.

An MGN executive last night challenged the view that the group might be a deteriorating asset if a sale does not happen quickly.

"MGN will increase in value and will get a higher price," the executive said.

Wace chief acts to stem IRA rumour

By Andrew Bolger

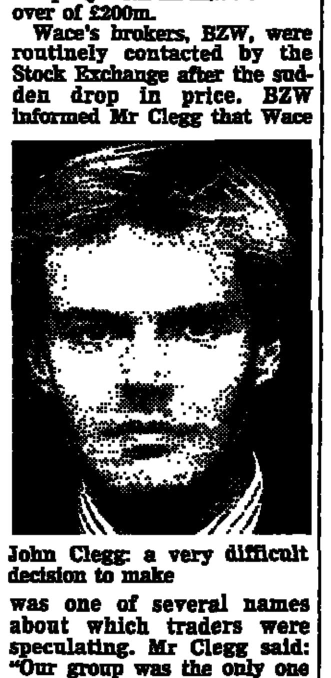
WACE Group, the world's largest pre-press printing specialist, yesterday took the unusual step of denying it was a front for the IRA.

Wace made the statement at noon after market rumours linked it with a report in the Sunday Telegraph that a listed UK company was under investigation for laundering funds for the terrorist organisation.

The company's shares fell from 177p to 155p in relatively heavy trading, wiping £14.5m from its market value. After the statement, the shares recovered to close at 166p.

Mr John Clegg, chief executive, said he was "mystified" as to why some traders had associated his company with the Sunday Telegraph report, which referred to an unnamed company with an annual turnover of £200m.

Wace's brokers, BZW, were routinely contacted by the Stock Exchange after the sudden drop in price. BZW informed Mr Clegg that Wace



John Clegg: a very difficult decision to make

was one of several names about which traders were speculating. Mr Clegg said: "Our group was the only one of them which saw its share price fall, so we decided to put out the statement. It was a very difficult decision."

Wace has grown rapidly by acquisition in the last six years, mainly funded from rights issues and placings. About 70 per cent of its shares are held by financial institutions.

Mr Clegg said Wace had no Irish operations or directors. He has been a director of the Anglo-Irish Bank for several years, due to an historic family connection: "My mother is Irish. I suppose we all have some Irish blood."

Wace's shares have fallen sharply from their peak of 284p last year. BZW said it again suspected that yesterday's rumour came from "bear raiders", who at the end of last year had circulated "totally unjustified" stories about the group.

Lonrho selling MAN truck importing business for £20m

By Kevin Done and Roland Rudd

LONRHO, the international trading group, is selling its UK MAN truck importing business for £20m. It is the latest in a series of disposals designed to reduce the group's £1.1bn net debt.

An agreement in principle has been reached with MAN Nutzfahrzeuge, the second largest German truck maker, which will take responsibility for the distribution, sales and service of MAN trucks, buses and spare parts in the UK.

The 25-strong MAN dealer network in the UK would not be affected by the sale, said Lonrho.

Lonrho added that MAN "wished to continue and to extend the development of its UK presence".

MAN accounted for 4.9 per cent of the UK market for trucks above 3.5 tonnes last year, which it is relatively small compared with its presence elsewhere in Europe. It was in eighth place in the UK market, overshadowed by groups such as DAF, Iveco and Mercedes-Benz.

Lonrho said that MAN would take over the UK operations "as soon as practicable" and not later than the end of March.

The acquisition is a further step in the trend for leading car and truck makers to take over direct control of the importing and distribution of their products in main volume markets.

Mr Robert Dunlop, deputy chairman of Lonrho, said the company believed that "the funds currently deployed in the truck business could be better utilised elsewhere in Lonrho's operations". The UK new truck market has more than halved in the last two years with the steepest fall in a recession in the post-war period.

Lonrho has already confirmed the sale of its 50 per cent interest in Kühne and Nagel, the German freight forwarder, for DM340m (£118.8m). Lonrho is also understood to be planning the sale of both the Glasgow Herald and the Evening Times, which belong to the group's George Outram subsidiary. The sale could fetch up to £200m.

Wellcome finds buyer for environmental health arm

By Paul Abrahams

WELLCOME Foundation, the pharmaceuticals group, continued its rationalisation with the sale of its environmental health division to Roussel Uclaf, the French company, for £43m.

The division, which sells pyrephrum as an insecticide for household and environmental public health, and protecting wood and stored grain, had turnover in 1990 of about £88m. Wellcome said the net tangible assets to be sold were worth £32.5m.

The sale is part of Wellcome's drive to become a pure pharmaceutical company. Sir Alistair Frame, chairman, announced in 1990 that the company would be examining all aspects of its business to improve efficiency and financial performance.

Last year it sold Calmic International, its hygiene services business, to Rentokil and its vaccines operations to Medeva, the fast-growing UK pharmaceutical group. Roussel Uclaf was assisted in negotiations by JP Morgan, the US bank.

Roussel Uclaf would become one of the world's leading environmental health companies following its acquisition, said Dr Pascal Housset, managing director of the group's agrovet division.

Sales in the agrovet division should reach £450m in 1992, he added. In 1991 the division's operations represented 26 per cent of Roussel's turnover.

Racal reaffirms its forecast of £50m profit

By Roland Rudd

Racal Electronics yesterday reaffirmed its forecast that it would make pre-tax profits of not less than £50m for the year to March 31 1992.

The statement, issued after a meeting of the full board, was in response to the publication of an internal memorandum suggesting that the profit forecast might not be met.

The forecast was part of the group's successful defence against last year's hostile £750m bid from Williams Holdings, the industrial conglomerate. The statement said: "On the bases and assumptions set out in the circular to Racal shareholders dated December 6 1991, and after excluding results of Vodaphone Group, operating profit will not be less than £100m and profit before tax will not be less than £50m."

Racal's internal memorandum warned that the profit forecast would be harder to meet because of unforeseen delays on several large contracts. Racal said the memorandum only referred to part of the radio division, where one contract had been delayed.

BT advances results date

By Michiyo Nakamoto

BRITISH Telecommunications is bringing forward the announcement of its third quarter results to coincide with the publication on Thursday of the consultative document on BT regulation by Oftel, the industry regulator.

The publication of the document starts the process of reviewing BT's prices during which Oftel will have to decide whether the group's profits are 'reasonable' and how much its prices should be regulated.

BT has come under increasing scrutiny for its high profitability which is seen to be supported by unnecessarily high prices.

The announcement of the third quarter results is being made two weeks earlier than originally scheduled so that BT will be able to put its case regarding its profitability without being hampered by Stock Exchange rules which would have prevented it from commenting on its financial performance for eight weeks before a results announcement.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Armour Trust ....int	0.315	May 11	0.3	-	1.4175
Aukett ....fin	0.5†	Mar 20	2.75	1.75	4.25
Bullough ....fin	4.3	Apr 1	4.3	6.05	6.05
Dale Electric ....int	2	Apr 7	2	-	5.1
GT Japan Inv Tst......int	0.4	Mar 10	0.4	-	1.15
Heath (Samuel) ......int	1.5	Apr 7	1.5	-	5.5
Haynes Publish ......int	2.5	Apr 4	1	-	2.5
Malvern UK index....fin	2	Apr 14	-	4.5☆	-
Mountleigh ....int	nil	-	1.25	-	4.75
Southern Radio ......fin	nil	-	nil	nil	0.75
TR Smaller Cos ......int	1.5	Mar 16	1.5	-	3.7

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. ☆For 15 months.

UK COMPANY NEWS

Demand for refrigerators helps limit fall at Bullough

By Roland Rudd

BULLOUGH, the office products and refrigeration group, yesterday announced that it would maintain its dividend for the year to end-October 1991 in spite of a 20 per cent fall in pre-tax profits.

The decline in profits to £20.8m (£26m) was less than some commentators feared, mainly because of a strong performance from refrigeration. Environmental and health concerns have led to a big demand for new fridges, increasing the division's operating profit to £7.4m (£6.1m).

The results were also lifted by an exceptional surplus of £994,000 arising on settlement of insurance claims after redundancy costs.

Earnings per share fell from 14.3p to 11.55p. A recommended unchanged final dividend of 4.3p maintains the total for the year at 6.05p.

Gearing fell from 28 per cent to 9 per cent. Borrowings were reduced to £7.8m from a cash inflow of £15.7m, after capital expenditure and net acquisition costs of £8.7m.

Mr Derrick Battle, chairman, said debt was reduced by slashing costs and reducing capital expenditure as turnover fell from £318m to £293m.

Office products, which continued to suffer from the recession, saw operating profit fall from £14.1m to £7.82m as sales fell by 25 per cent.

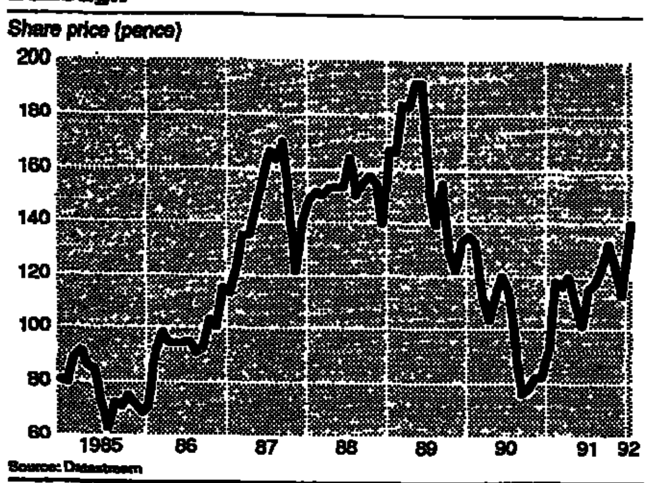
Store fitting incurred a loss of £1.78m compared to a profit of £23,000 as sales by BFN storefitters to the DIY retail sector fell sharply in the first half.

Severe cut-backs, leading to a reduction in the workforce of 220 to 80, enabled the division to make a small profit in the second half.

Operating profits at the remaining divisions were: heating £3.8m (£4.1m); electrical £1.64m (£2.16m); and engineering £2.59m (£2.13m).

Bullough

Share price (pence)



Source: Datastream

● COMMENT

As Derrick Battle put it: "If you are going to surprise the market there is only one way to do it: produce better results". Accordingly the share price jumped by 15p to close at 140p. Analysts expected a fall in profits; few companies are in need of office furniture and the recession in the DIY market is far from over. Yet there was plenty of good news to please the market: store fitting is already back in profit and refrigeration has proved recession proof. A significant reduction in working capital has led to a reduction in gearing from 40 per cent two years ago to under 10 per cent today. That figure is likely to continue to fall – and with it the £1.6m interest charge – as costs are further reduced. Full year pre-tax profit forecasts of £22m, reflecting an upgrading from some analysts after yesterday's results, gives earnings per share of 12p and a prospective multiple of 11.6. The shares still look cheap.

L&G suffers sharp reductions in annual premium business

By John Authers

LEGAL & General, the life assurance group, yesterday announced substantial reductions in new regular premium life and pensions business during 1991.

In common with trends for the industry, most of the £2.16bn taken in by L&G last year was in single premium business.

Using the industry's standard Equivalent Premium Income yardstick, which adds one-tenth of new single premiums to the total of annual premiums for the year, worldwide business increased slightly from £327m to £332m. The UK's share rose from £256.8m to £262.3m.

Annual premium business, affected by the recession with consumers reluctant to take on new commitments, fell from £210.5m to £170.1m in the UK, and from £266.5m to £225.1m worldwide.

New business figures rose from £468m to £922m thanks to a strong increase in UK single premium business. Much of this came in one-off business from large pension funds.

Mr David Prosser, chief executive, said: "Legal & General is not immune from current economic pressures.

"In particular, our regular annual premium business in the UK continues to be affected by a stagnant housing market – into which we sell our mortgage related policies – and a struggling business environment into which we sell out personal pension plans."

● L&G also said yesterday that it was going to reduce its exposure to claims from building and contents insurance by changes in its reinsurance programme, writes Richard Lapper.

Following heavy losses in its non-life business from subsidence, theft and mortgage indemnity claims, Mr Prosser announced last year that L&G wanted to cut back its involvement in more volatile general insurance business.

The company is still negotiating its arrangements for 1992 with reinsurers but has already agreed a quota share proportional treaty to cede 40 per cent of its household property business.

In proportional business insurers cede a share of their exposure for a proportional share of the premium receiving a reinsurance commission in exchange.

Return to black at Dale Electric

By Andrew Bolger

DALE ELECTRIC International, the Yorkshire-based power and lighting group, made pre-tax profits of £497,000 in the six months to October 27, compared with a loss of £146,000 in the corresponding period.

The group said the improvement continued the good work of the second half of last year, when it moved back into the black after suffering from project delays.

Turnover was flat at £24.1m (£24m) but directors said that continuing rationalisation and the strength the group's export markets had improved its resilience to recession.

The order book stood at £35m, enough for seven months work.

Although lower base rates cut interest payments from £1.28m to £962,000, gearing remained about 88 per cent. The group is seeking to dispose of surplus property in Ashford, Kent, but this was being delayed by uncertainty over the Channel rail tunnel and the present depressed state of the market.

Earnings per share of 2.79p compared with losses of 1.76p last time. The interim dividend is maintained at 2p.

BICC sells networking business

By Michiyo Nakamoto

BICC Group, the international cables and construction group, is selling its data networking business to 3Com, the US-based global data networking company, for $25m (£13.8m) and 500,000 shares of 3Com common stock.

The sale reflects moves by BICC to move out of peripheral businesses and focus more closely on its core cable and construction operations.

For 3Com the attraction of the acquisition is that it gives the US company a leading market position in four of the key products in data networking. The acquisition also immediately provides it with a strong presence in the European market.

BICC's networking business will also benefit. Although it had sales last year of $75m and was profitable, it did not have the critical mass needed to gain international competitiveness, said Ms Janice Roberts, currently president of BICC's networking business in the US.

NEWS DIGEST

Willis Corroon takes 50% Italian stake

WILLIS CORROON Group, the insurance broker, is buying a 50 per cent stake in UTA, a family-owned group which is one of Italy's top 10 insurance brokers. No price was given.

UTA earned commission income of L8.3bn (£3.9m) on total premiums of L77bn last year. The company, which will continue to be run by members of its three controlling families, has in recent years extended its activities from its original Turin base to a number of big Italian cities.

"Willis Corroon has long-standing relations with Italian insurers and intermediaries," said Mr Roger Elliott, Willis chairman. "Now we are happy to be represented directly. UTA has built a reputation for the quality of its client service."

Roger Elliott: happy to be represented directly

Southern Radio

Southern Radio, formerly Invicta Sound, yesterday reported a pre-tax loss of £363,000 for the year to end-September.

That compared with a profit of £197,000 previously and came from turnover down from £4.21m to £3.62m. In December 1991, Invicta reversed into Southern Radio and the figures exclude the results of Southern.

The company said that advertising revenue in the period had come under considerable pressure as the result of the recession. National airtime revenue fell by 3.7 per cent while local airtime revenue fell by 18.6 per cent.

Strict cost-cutting measures had been introduced resulting in a 7.5 per cent reduction in operating costs. Exceptional charges during the year totalled £383,000, and mainly related to redundancy and reorganisation costs and provisions against loans of a related company.

Losses per share were 3.51p (1.13p earnings) and there is no dividend (0.75p).

TR Smaller Cos

Net asset value of TR Smaller Companies Investment Trust at November 30 was 148.8p, down 0.9 per cent from the 150.2p of six months earlier – over this period the FT-Actuaries All-Share Index fell 2.7 per cent. At November 30 1990, net asset value stood at 122.6p.

Earnings for the half year to end-November slipped to 2.02p (2.56p) per share and the interim dividend is held at 1.5p. In his statement in July, the chairman said: "1991 will be the year of dividend disappointments."

Aukett

Aukett Associates, the architectural and design group, saw pre-tax profits decline from £1.81m to £360,000 in the year to September 30.

However, Mr Gerry Deighton, chairman, pointed out that the fall was exacerbated by a £700,000 exceptional provision against the investment in Albert Bridge House, a joint development project.

He added that turnover decreased to £16m (£18m) but that the total work done amounted to £15.6m (£17.7m), a fall of only 12 per cent. A recent Royal Institute of British Architects survey, he said, showed that workloads were down by an average of 40 per cent.

After tax greater than the pre-tax figure at £403,000 (£772,000), losses per share emerged at 0.32p (earnings 8.01p). The final dividend is reduced to a recommended 0.5p (2.75p) for a total of 1.75p (4.25p).

Haynes

Recovery is well under way at Haynes Publishing, the printer and publisher of workshop manuals.

Underlining the confident tenor of his statement at the group's annual meeting in October, Mr John Haynes, chairman, yesterday announced pre-tax profits of £1.13m for the six months to November 30.

The outcome, which was struck after exceptional charges of £453,000 for redundancies and cancellation of titles, and higher interest charges of £240,000 (£104,000), compared with profits of £494,000 in the corresponding six months of 1990 and just £26,000 for the last financial year.

Much of the profits increase was attributable to operations in the US which continued to do well, Mr Haynes said, despite "shark-like" trading conditions. Trading profits in the US rose from £374,000 to £870,000.

Turnover, reflecting a sales promotion and merchandising campaign, improved to £10.9m (£9.56m). The interim dividend goes up 1.5p to 2.5p, payable from earnings of 6.9p (2.9p) per 20p share.

Stavert Zigomala

Stavert Zigomala, an investment holding company which also retails furniture and carpets, reported pre-tax profits reduced to £23,623 for the half year to end-September.

The decline from last time's £33,567 came on turnover of £384,347 (£372,678). Earnings emerged at 5.978p (8.232p) per ordinary stock unit and at 4.655p (6.697p) per deferred stock unit.

Bristol Channel

Bristol Channel Ship Repairers returned to the black in the 28 weeks to October 11.

The pre-tax outcome – £74,884 against losses of £231,065 – came on turnover of £861,801 (£548,451). Mr Chris Bailey, chairman, expected turnover to remain at much the same level in the second half. He anticipated " a continued improvement in ship repairing and overall profits".

Earnings per share worked through at 0.09p (losses of 0.29p).

Samuel Heath

Samuel Heath, the building and giftware group, reported a 66 per cent decline in pre-tax profits, from £210,000 to £72,000, in the six months to end-September.

Turnover fell from £3.67m to £3.46m. In spite of a fall in earnings per share to 1.6p (4.5p) the interim dividend is maintained at 1.5p.

Malvern UK

The net asset value of Malvern UK Index Trust was 108.13p per share at the end of the 15-month period to December 31.

This represented a rise of some 28 per cent on the previous period which covered the seven months to end-September 1990.

Earnings per share emerged at 4.54p, against 1.84p for the previous seven months. A proposed final dividend of 2p brings the total for the 15 months to 4.5p.

Armour Trust

Profits of Armour Trust, which has interests in confectionery, electronic components and car accessories, declined from £966,000 to £905,000 pre-tax for the half-year to October 31.

The 6 per cent setback resulted from higher interest charges reflecting working capital needs.

First-half turnover improved to £11.8m (£10.9m). Earnings slipped to 2.2p (2.36p) per share, but the interim dividend is lifted to 0.315p (0.3p).

FT-SE futures

Trading in financial futures and options on futures in the FT-SE 100, FT-SE Eurotrack 100 and FT-SE Eurotrack 200 indices is expected to commence this summer on the Chicago Mercantile Exchange, subject to the approval of the Commodity Futures Trading Commission.

The London Stock Exchange has already reached agreement with the Chicago Board Options Exchange to trade warrants and cash options on the UK and European indices.

The FT-SE 100 index was introduced in January 1984. The FT-SE Eurotrack 100 and FT-SE 200 indices were introduced in October 1990 and February 1991 respectively.

Standard Platforms

Standard Platforms Holdings, the USM-quoted computer services group, reported losses of £471,000 on turnover of £849,000 in the six months to end-September.

A large part of the loss was due to Docufile, the US computer services company, where directors said there had been difficulties in its sales and marketing direction. The company had since been restructured.

Standard did not trade until June 15 1990. In the period to September 30 1990 losses were £311,000 on turnover of £353,000.

Caldwell Invs

Caldwell Investments, the USM-quoted clothing company, reported pre-tax profits ahead from £2,500 to £220,000 in the year to October 31. The improvement was the result of better trading on the Continent where it has most of its business.

Turnover was £4.3m (£4.15m) and earnings per share came out at 1.62p against losses of 0.57p. There was an extraordinary charge of £24,000 (£44,600).

Counting on cellular customers

Market research predictions in the UK mobile phone business have rarely borne relation to the eventual size of the business. With cellular radio in particular, pundits greatly underestimated the number of potential subscribers.

With this in mind, Unitel, one of the licensees for personal communications networks (PCNs), which should begin services in 1993, has chosen a novel way of more accurately evaluating the market.

"All the research in the past has been based on what consumers think they will do," points out Andy Sukawaty, Unitel's chief operating officer. "But it's impossible to quantify what people will do just by asking them." In addition, points out Sukawaty, research in the past has concentrated on how many people will buy portable phones, not on how many calls they will make.

Instead of asking people what they intend to do Unitel selected some 400 potential domestic and small business users in three areas where the existing cellular radio was of high quality and gave each of them one of the latest hand portable cellphones. They then charged them for the subscription and calls as if they were PCN users.

One of the most striking results of the survey was the number of users who, once the initial three-month trial was over, wanted to keep the phones – some 250 of them.

As a result of the survey Unitel has concluded that the potential exists for 1.88m households in the UK to subscribe to PCN and a further 436,000 small businesses.

Unitel also concluded that PCN would increase the usage of the phone generally. Before the trial began the customers spent an average 230 minutes on the phone every month, but that rose to 300 minutes a month with the mobile phone.

Although the usage of the ordinary BT line went down to 200 minutes a month, Sukawaty points out that BT's revenues are likely to increase rather than decrease because most of the calls will use BT lines for part of the journey.

Della Bradshaw

Sheila Jones describes how 7-Eleven in Japan uses customer information to sell more goods

A short life on the shelf

Seven-Eleven Japan, the convenience store chain, likes to know its customers intimately. Its recently upgraded point-of-sales (Pos) system helps to ensure this is the case.

Checkout assistants key into the checkout terminals the age and sex of each customer as they key in the price of goods. The company says the information means it can stock the products its customers want to buy.

Establishing a customer's sex should be straightforward. Age is more of a problem. 7-Eleven's youthful team of checkout assistants must guess a customer's age within five bands: Under 13, 13-19, 20-29, 30-49 and over 50. Each is a distinct consumer group with different needs and spending patterns, according to the marketing theory.

7-Eleven says that analysing the data enables each of the chain's 4,500 stores in Japan to tailor its stock to the local market and compete more effectively with large retailers. If the store is near a school it will stock items that students are likely to want; if it is in a residential area it will stock more household goods.

Mini-computers have been installed in all of the stores (franchises as well as directly-run outlets). A time-switch on the computer produces two graphs overlaid every two hours: the age/sex profile is laid over the latest stock and sales position. The graphics give store managers a snapshot that should improve their ability to make accurate decisions about what stock to buy. Slow-moving goods or dead stock are swiftly removed from the shelves.

7-Eleven stores in Japan typically stock about 3,000 products per 100 sq metres of shop space. The lifecycle for any product can be short – about 70 per cent are changed in a year. The company has increased sales and reduced inventories as a result of its attention to customer profile and inventory control.

The latest upgrading also includes graphic ordering terminals. These hand-held consoles with tiny graphic screens enable swift and well-informed ordering from the shop floor. Inventory scanners have also been introduced. Bar codes on deliveries are scanned and the information is fed into the store's mini-computer.

Before the scanners, a warehouse worker ticked off goods against a computer print-out. Information can be exchanged between the mini-computers, graphic ordering terminals and cash registers. The mini-computers are also linked to the central distribution system.

The company's latest Pos system was installed 14 months ago. It will be upgraded between April and July this year.

7-Eleven's Pos system has been converted partly to digital technology which enables the transmission of voice, data and graphic information using phone lines. Much of the network still operates on a traditional analogue network. The company is planning to covert the whole system to an integrated services digital network (ISDN) over the next few years.

7-Eleven's head office, stores and distribution centres were connected to a central computer in August 1979. Since then, it has exploited the network at a breathtaking pace. In 1981, the company installed a computerised Pos system with terminals at each store.

A four-temperature (hot for rice, cool for noodles, chilled for milk, frozen for ice cream), delivery and distribution system was tagged on to the system in 1984, linking wholesalers and producers.

In 1986, new checkout terminals were brought in, allowing data communications between individual stores and suppliers. In 1988, 7-Eleven customers were able to pay their electricity and gas bills at the neighbourhood store – bills include bar codes that can be read by terminals at 7-Eleven stores.

The Pos upgrading to be installed this spring will bring in equipment for the launch of 7-Eleven's joint venture with Shop America, a US-based direct mail catalogue sales operation. A nine-inch, double-sided screen will be attached to existing checkout terminals, one side facing the checkout and the other the customer.

Customers will be able to order from a range of foreign-made goods direct from the US at any 7-Eleven check-out. Information about an item – prices and availability – will show up on the screen.

The screens would also be able to display, for example, the plan of a theatre, enabling a customer to choose seats and order tickets at the checkout.

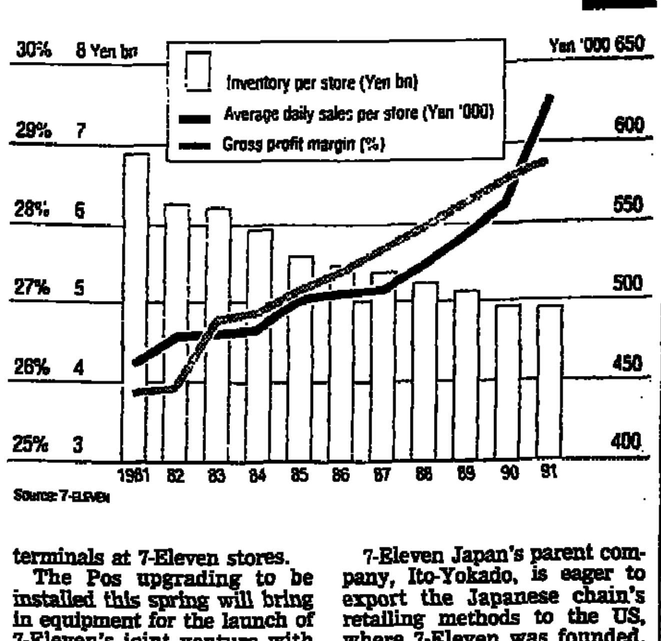
Investment in 7-Eleven's latest Pos installation and the upgrading this spring will cost the company Y35bn (£160m).

7-Eleven Japan's parent company, Ito-Yokado, is eager to export the Japanese chain's retailing methods to the US, where 7-Eleven was founded. Last year, Ito-Yokado took control of Southland, the Dallas-based convenience store group which runs 7,000 shops in the US and nearly 2,000 in 20 other countries. Ito-Yokado made clear at the time it would want to teach the troubled US chain (from which the original 7-Eleven Japan licensing rights were bought) how to run convenience stores.

Don Cowan, publicity manager for 7-Eleven in the US, says tests are under way to determine what kind of system might work best in America, but it is "some distance away" from an advanced network.

"No one knows yet whether or not what is effective in Japan would work the same in the US," says Cowan.

Trends of inventory, sales & gross profit



Source: 7-Eleven

Added-value fax service under starter's orders

Yamato Transport, Japan's largest door-to-door parcel delivery company, is trying to get the most out of its central distribution system by selling services that operate on the company's distribution mainframe computer.

It has installed a facsimile messaging and information system at retail outlets. The service was set up just over a year ago and the company has already installed 5,000 Panasonic fax machines in stores.

Yamato's system is one example of the fax services available to Japanese users as a result of the growing liberalisation of telecommunications.

The Yamato messaging system enables users to send and receive fax messages at any of the stores where a machine is installed. Yamato says a typical customer would be an executive away from the office who needs to get hold of a document quickly, or to send one.

The service also provides information from a menu including horse racing results, baseball scores and tourist information – in English or Japanese. A shopping information sheet, for example, would include details of how to get to a particular area, a list of shop phone numbers and a map of the district, including the main stores and subway lines.

The service also operates a central system for companies which need to fax the same document to several people. Information such as a company's list of customers, suppliers and their fax numbers is stored on Yamato's computer.

The user can key in a request, from their own fax machine, for a document to be sent to all of its suppliers, for example. This will be done automatically. Customers have to register with Yamato as fax users. Personal codes are keyed in to the fax machine and users are billed later.

At the moment, the service contributes only a tiny proportion of revenues – less than 1 per cent – and the company says it will take three years before it moves into profit.

Yamato is planning for 50,000-60,000 users a day by 1995. The company has released no figures on the current number of users, although it says 10,000 customers would be a good day.

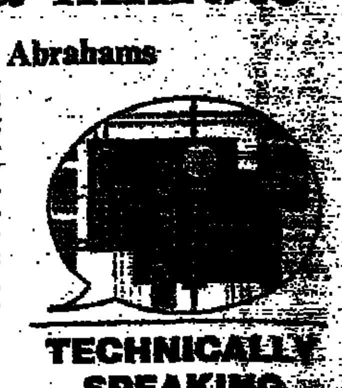
Setting up the service cost Y3bn (£13.5m) including installation of the first 5,000 machines. Running costs include the use of NTT phone lines. The fax machines are leased by Yamato and most of the information used by the service is provided free in return for advertising on the fax sheets. Stores where fax machines are installed receive a commission fee.

Competition is so far limited to only a few small operators. "It would be a problem if NTT got into it," says Katsuhiko Saiki of Yamato.

SJ

Bad instructions at 48p a minute

By Paul Abrahams



TECHNICALLY SPEAKING

A nasty little habit appears to be creeping into the mores of British computer companies. They are using premium-rate telephone lines to provide technical support. A portion of the call's cost on these lines goes to the information provider, in this case the computer company.

Customers are increasingly being forced to fork out 48p a minute at peak times – and most services are only available at peak times – to discover how to get their computers to work.

Ordinarily this wouldn't be such a cause for griping. A problem clearly exists for the computer companies. In the past they have provided technical support free of charge, creating a demand limited only by the willingness of callers to pay small amounts for phone calls. And although lengthy calls have cost customers very little, they have proved highly expensive for the companies providing the necessary back-up. It has also proved irritating for customers – the lines seemed permanently engaged.

Times are tough in the computer industry. So the decision by Amstrad, Alan Sugar's British computer company, and Locomotive software, suppliers of the Locoscript word processing program, to use 0898 premium rate numbers is at one level understandable.

Howard Fisher at Locomotive says the company used to end up answering every question under the sun about their product and those of others. As many of their software packages were selling for £30 it just was not financially viable to provide 30 minutes of support over the telephone.

Meanwhile, Amstrad says it is not embarrassed about introducing premium-line services in spite of a certain resistance from customers. The group claims its 12 customer-support staff have been able to handle 25 per cent more calls because users, aware they are spending 48p a minute, take less time to make their queries.

Both Amstrad and Locomotive also say people now tend to be more careful to read the manuals before they phone.

Reading the manuals before ringing is a good idea. What I resent is having to pay substantial amounts to a company which has produced a completely incomprehensible manual.

So here's the gripe. My father recently purchased an Amstrad SX9600AT facsimile machine, including bells, whistles, a button for accessing the Mercury telephone system and a completely useless manual. Having persuaded my father – incapable of operating a video machine after more than 10 years – to sign-up with Mercury, it was left to me to program the fax machine with the Mercury access code.

Being a bit of a technophile, I thought this wouldn't be too tricky. I turned to page 33 of the manual. I defy anyone to be able to program the machine for Mercury from the instructions there. It appeared necessary to have read the manual step-by-step from page one to 33 before setting-up the Mercury line.

The result was that I was forced to spend money on the telephone rewarding Amstrad for writing an incomprehensible and impossible manual.

So I'll make a plea to electronic hardware and software companies. Technical support has to be paid for, and if the cost isn't covered in the price of a product, by all means use premium-rate numbers for recouping expenses. Most customers won't mind spending a little extra on a premium-rate telephone call.

But please give the customer a chance. Write manuals that are comprehensible in the first place. Electronics companies shouldn't be rewarded for poorly writing poor manuals. I'll be writing to Alan Sugar asking him to invest my £2.40 in new instructions.

COMMODITIES AND AGRICULTURE

Brussels strives to keep farm reform plans on track

By David Gardner in Brussels

THE EUROPEAN Commission was last night trying to keep its plans to overhaul the Common Agricultural Policy on track in the face of attempts by several member states to postpone decisions until the outcome of the Uruguay Round world trade negotiations is known.

As feared, the impasse over farm subsidies within the General Agreement on Tariffs and Trade negotiations is calling into question the European Community's internal farm reform process, which the commission had managed to push towards near consensus by the end of last year.

EC farm ministers broke off their meeting here last night to enter lengthy bilateral negotiations with the Portuguese presidency of the EC and the commission. These were expected to try to resolve by today the "chicken and egg" question of whether enough member states feel able to decide levels of reduction in CAP support before the level of subsidy cuts within Gatt is agreed.

The council meeting opened with six of the 12 – Denmark, the Netherlands, the UK, Ireland, France and Italy – saying the Uruguay Round outcome must be known first. Mr John Gummer, UK farm minister, first in to the bilateral "confessionals" with the presidency and commission, said "we must wait for a Gatt deal and find out what it is, and then work for a CAP deal".

The CAP reform proposed by the commission envisages sharp cuts, centred on a 35 per cent reduction in cereals support prices over three years, refunded to farmers on the basis of average yields in the 1989-91 reference period, thereby getting rid of the incentive to produce more grains, the main product in the farm subsidies dispute within Gatt. Larger farmers would have to take land out of production to get the compensation.

The agriculture chapter in the draft conclusions of the Uruguay Round, requires a 36 per cent cut in export subsidies, a 24 per cent cut in the volume of subsidised exports, and a 20 per cent drop in domestic support, all over six years. Though seemingly compatible, the Gatt formula would not allow the EC's direct compensation payments in to the "green box" for "neutral" subsidies, even though they are tailored to restrain production, which would feed through into less subsidised exports which distort trade.

The commission insists it needs some recognition of this quasi-decoupled compensation if it is to make the cuts. It also fears that some member states now see the opportunity to play off the two negotiating processes, thereby winning back the ground they had ceded in the CAP talks throughout last year.

Mr Ray MacSharry, the EC agriculture commissioner, can – his officials say – threaten to introduce cuts without any compensation at all as part of this year's price package, in an effort to cajole ministers and the big farm lobbies into line.

Chile plans $430m boost for copper production

By Leslie Crawford in Santiago

CODELCO, THE state-owned Chilean Copper Corporation, is raising its investment budget by 16 per cent to $430m this year to develop new ore bodies and reduce toxic emissions at its ageing smelters. The budget increase marks an important victory for Codelco, which lobbied a reluctant government for more funds to maintain its position as the world's biggest copper producer.

"The importance of this year's budget is that it sets a benchmark for future years," Mr Ignacio Guerrero, Codelco's financial vice-president, said yesterday. Investment levels of the past two years – $330m in 1990 and $370m in 1991 – were not sufficient to combat falling output and declining ore grades at Codelco's ageing mines.

About half of this year's investment budget would go towards prospecting and developing new ore bodies, Mr Guerrero said. Another 20 per cent would be channelled towards environmental protection. Chuquicamata, the vast copper complex in the Atacama desert, would get a new sulphuric acid plant that will absorb noxious sulphur dioxide emissions. Smelters at Potrerillos and Caletones were also scheduled for overhaul.

Codelco plans to start exploiting low-grade copper sulphides at Chuquicamata and at two other mining divisions, Salvador and El Teniente. In the mid-1990s, a new mine to the north of Chuquicamata, recently christened Radomiro Tomic, is scheduled to come on stream. Productive capacity at Codelco's smallest division, Andina, is also being expanded.

The company hopes that these new projects will reverse the trend of declining output of the past two years. It produced 1.12m tonnes of refined copper in 1991, down from a peak of 1.24m tonnes in 1989.

However, most of Chile's increased copper production in the 1990s will come from large private sector projects under construction. The latest of these was announced yesterday by Rio Algom. The Canadian mining company said Chile's foreign investment committee had approved its plans to develop the $290m Cerro Colorado mine in the Atacama desert.

Rio Algom plans to bring the mine into production by late-1994. Cerro Colorado's reserves of 79m tonnes, with an average ore grade of 1.39 per cent copper, will be sufficient to produce 40,000 tonnes a year of high quality copper cathodes over the mine's 23-year life.

Yemen's oil-fired optimism

Bidding has been intense for exploration rights, writes **Eric Watkins**

NEW DISCOVERIES of oil, gas and precious metals are leading the way to brighter economic prospects in Yemen, long considered one of the world's least developed countries. Precise estimates of the country's potential have yet to be determined, but experts are enthusiastic about initial signs.

Exploration rights have been purchased by 18 oil companies over the past year and one of them, Canadian Occidental, has already reported a major find. Located at Masila, in southern Yemen, the new field was early this month declared commercially viable, with total reserves at 550m barrels, of which 235m barrels are recoverable.

Can-Oxy plans to start production in mid-1993 after an accelerated programme of development.

With exploration still in the early stages experts are wary of making precise predictions about Yemen's oil potential. But most agree that the country will be able to produce about 1m b/d in the foreseeable future.

Though Yemen's first commercial strike was in the north, most exploration is now concentrated in the south, particularly around Shabwa in the Hadramaut Valley. Oil companies had long suspected that there were considerable reserves there, but concession rights in the former Marxist state were dominated by the Soviet Union.

Unification of North and South Yemen in May 1990 opened the way for western companies and the new Yemen government has been quick to capitalise on the competition, selling rights this year alone for an estimated $700m.

Oil executives say that competition for concessions has been intense and that the bidding for rights has been unusually high. But they point out the potential rewards. Yemen's oil is said to be first-rate, with a low sulphur content and a high ratio of associated gas.

Comparable in quality to Arabian light crude, Yemen's oil is said to require little refining and so may attract premium prices on the world market.

While optimistic about Yemen's potential, oil executives nonetheless state that full commercial production is still several years away. Apart from seismological work, exploratory drilling and assessment of commercial feasibility, production can be further delayed by the nature of a site and it surrounding terrain.

A time span of three to five years between discovery and production is generally thought realistic. That is supported by the local experience of the Hunt Oil Company. In July 1984 Hunt announced Yemen's first commercial oil strike, but exports did not begin until three and a half years later.

In addition to normal preparations on the site, Hunt also had to construct a 450 km pipeline over mountainous terrain and a marine export facility at Ras Issa on the Red Sea coast.

Apart from oil, Yemen is also reported to have immense gas reserves. Indeed, the country is now rumoured to be sitting on top of the world's biggest gas "bubble".

According to industry insiders, the discovery of Yemen's gas has come as a surprise and has led to difficulties between Hunt Oil and the Yemen government over concession rights to the unexpected find.

Hunt officials, however, play down estimates of Yemen's gas reserves and sharply deny any breach with the Yemen government over concession rights. One says the two sides have now signed a joint protocol to study Yemen's gas potential and results are expected by late February 1992.

Depending on the outcome of that study Yemen's income from gas could be considerable, especially from its reserves of natural gas. Liquefied natural gas is an alternative to oil in the generation of electrical power and has potential markets throughout the industrialised world. Marketing experts are said to be paying especial attention to Korea and Japan where LNG is used extensively in industry.

Yemen is also said to have considerable reserves of liquid propane gas, used for domestic purposes such as cooking and heating. Though Yemen's reserves have some export potential, their primary use will be for domestic consumption thus ending the country's former dependence on imported supplies.

While oil and gas are certain to be the main sources of Yemen's mineral wealth, exporters are also looking into its mining potential. That potential has long been suspected and, indeed, mining experts are now using ancient historical documents to guide their initial explorations.

Preliminary reports are so far sketchy. But in addition to traces to gold and silver at traditional mining sites, geologists also hint at the possibility of uranium deposits in altogether new areas of exploration. They stress, however, that their explorations have only just begun and that much preliminary work remains to be done before any reliable statements can be made about Yemen's mining prospects.

Tentative as they are, these new discoveries of Yemen's potential mineral wealth are bringing a sense of optimism to the country. Chronically one of the world's poorest nations Yemen was especially hard-hit by the Gulf war and for most of the past year its economy has suffered from steadily rising inflation and unemployment. Recent times have been hard for Yemen and its problems may continue for a while yet. But, as one oil executive put it: "I'm bullish on the prospects".

The Organisation of Petroleum Exporting Countries must cut oil output to prevent sharp falls in crude prices as Kuwaiti production continues to climb and Iraq looks to resume oil sales to an already glutted market, Mr Hamoud al-Rqobah, Kuwait's oil minister, said yesterday, reports Reuter from Kuwait.

He said it was difficult to say how much Opec must trim output by but its ministers should agree on an effective formula when they meet in Geneva on February 12.

Milk board launches co-op plan

By David Blackwell

THE MILK Marketing Board for England and Wales yesterday launched plans to become a single voluntary co-operative with pooled prices.

The plans, which follow two years of painfully slow progress towards reform, include the issue to milk producers of shares in Dairy Crest, the MMB's wholly-owned subsidiary with a 25 per cent stake in the UK's manufactured dairy products market.

The Dairy Trade Federation, which represents dairies and processors and has resisted any MMB attempt to keep control of Dairy Crest, said: "This is a major step forward. We strongly support the separation of Dairy Crest with its shares to be directly owned by dairy farmers".

The two sides have been locked in a stubborn contest about how the UK's 60-year-old cartel should be reformed to meet the challenge of the 1990s, particularly the single European market.

Mr Bob Steven, chairman of the MMB, said yesterday the board would have preferred to maintain the old scheme, amended within a European context. However, change was inevitable, and the board's objective now was to create a worthwhile industry that gave farmers a chance to maintain their own destiny.

Mr Andrew Dare, a former president of the DTF who shocked the industry by becoming an adviser to the MMB, said that shares in Dairy Crest would be given to existing milk producers on the basis of the milk they had supplied in the past over a given period. The shares would be tradeable among milk producers.

The plan would give Dairy Crest clear objectives and put it on an equal footing with competitors, he said.

The single voluntary co-op could be the strongest and most efficient marketing organisation in Europe. It would collect milk, pool it and pay the farmers monthly as now, as well as maintaining quality assurance.

But at the end of the day the new co-op would only survive if it met its customers needs, Mr Dare said.

Prices, now fixed according to what the milk is used for, would be set by an agreed pricing system "to be discussed with the dairy trade, Maff [the agriculture ministry] and the European Commission," the MMB said.

Mr Steven said he would be surprised to see any legislation before the coming election.

Strike threatened at Russian gold mine

A MAJOR Russian gold producing company is threatening to strike unless the government raises the price it pays for gold and meets other demands, according to Tass news agency, reports Reuter from Moscow.

The independent Interfax news agency said the far eastern company, Yakutia Gold, had already decided to hold a two-week-warning strike on January 28 and planned further industrial action on February 10. Tass did not mention the warning strike at the state-owned company, which it said accounted for about 15 per cent of Russian gold output, officially estimated at about 150 tonnes in 1991.

Yakutia Gold, which has three refineries, will strike from February 9 if urgent measures are not taken to haul the industry out of crisis, Tass quoted Mr Taras Desyatkin, the general director, as saying. He said Yakutia's gold producers were "on the brink of catastrophe" as a result of heavy taxes, low gold prices and sharply rising prices for equipment and other goods.

"Closing the enterprises in February, in his opinion, is the only way to influence the government," Tass said.

Mr Desyatkin called on the government to review the producer price for gold, bring it up to world market levels, change existing tax policies and fulfil other obligations to workers.

Indians want to double sugar exports

By Kunal Bose in Calcutta

THE INDIAN sugar mill industry wants the government to authorise exports totalling 1m tonnes on the world market this year, up from 525,000 tonnes in 1991.

At prevailing world prices the sales would be at a loss but the industry is keen to maximise exports because of expected oversupply throughout the year, according to Mr Om Dhanuka, spokesman for the Indian Sugar Mills Association. Last year's exports left the industry with a loss of about Rs450m (£9.7m) and this year's will be at a minimum loss of Rs160 a quintal (100 kg).

The government, facing a serious balance of payments crisis, is likely to accede to the industry's request. It has, however, turned down a suggestion to create a buffer stock of 1m tonnes, claiming it does not have the money to finance it.

Whatever happens the sugar mills, which in 1991 lost more than Rs7bn, will fare even worse in the current year. According to Mr Dhanuka, the industry is moving deeper into the red because of the unscientific pricing policy for sugarcane and the high percentage of sugar the mills are required to sell to the government at much below production costs for distribution through "fair price" shops.

Every year the federal government lays down the statutory minimum price for cane, which forms the basis of the levy sugar price. For the 1991-92 (October-September) season the minimum cane price is Rs26 a quintal, based on a sugar yield of 8.5 per cent. But the states, seeking to placate the powerful cane growers' lobby, are forcing the mills to pay up to Rs16 a quintal more. The mills are supposed to make sufficient profit from the sale of 55 per cent of sugar production in the open market to compensate for the loss incurred on the 45 per cent levy portion. But they are realising a little over Rs700 a quintal, compared with the break-even price of Rs970a quintal.

Because of these poor returns, the mills are not able to clear their cane bills. By April, the problem will be assuming threatening proportions when cane arrears are likely to be exceed Rs7bn. At one point last season the uncleared cane bills amounted to Rs8.5bn. About Rs1bn from the last season's arrears has been brought forward into the current year.

The farmers, furious with the mills for their failure to clear their bills, have in many places destroyed the ratoon (autumn crop), otherwise sugar production in the current season could easily have reached 13m tonnes, instead of equalling last season's 12m tonnes, as is expected.

Mr Dhanuka does not rule out the possibility of large scale diversion of land from sugar-cane to other crops.

Brazil searches for coffee policy

By Victoria Griffith in Sao Paolo

UNCERTAINTY IS deepening over the Brazilian position at the next International Coffee Organisation meeting in London on 5 February. A meeting between exporters and the Brazilian government to define a new price listing proposal was postponed to today because of what the government referred to as "scheduling problems".

The Brazilian coffee sector has been floundering for the lack of some kind of coherent policy since its proposal (made jointly with Colombia) for the retention of 10 per cent of production in an effort to boost prices was rejected a few months ago by other major coffee producing nations, who felt a better option was the revival of the International Coffee Organisation's export quota system, suspended since July 1989.

Brazilian exporters say they are firmly against a return to any kind of quota system.

WORLD COMMODITIES PRICES

MARKET REPORT

PLATINUM'S PRICE discount against gold narrowed sharply yesterday as the white metal led an advance at the London bullion market. The platinum price closed at $351.25 a troy ounce, up $8 from Friday, while gold was up $1.50 to $356.15 an ounce. Silver edged up after Friday's sharp fall, ending 1 cent to the good at 418 cents an ounce. "Physical demand and a little speculative activity have helped the metals," one Zurich dealer said, adding "the firm opening on Wall Street helped sentiment in white metals a little". Meanwhile a London trader suggested that "people are trying to trade the gold/platinum spread to flat again." At the London Metal Exchange aluminium prices maintained the recent bullish sentiment. The cash price closed at a 5½-month high of $1,267.50 a tonne, adding $18 to last week's $61.50 rise and taking the rise on the year so far to $141. Dealers said the tone was aided by an early burst of Far East buying, short-covering, options-related activity and constructive chart patterns. But nickel continued to retreat from the upside resistance area tested on Friday. Under profit-taking pressure the cash price closed $105 down at $7,760 a tonne. Copper prices bounced with cash metal gaining £33 to £1,227 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.40-5.50q	+.175
Brent Blend (dated)	$18.50-8.60	+0.20
Brent Blend (Mar)	$18.25-8.35	+.175
W.T.I. (1 pm est)	$19.15-9.20q	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$200-203	-0.5
Gas Oil	$182-183	
Heavy Fuel Oil	$82-84	+1
Naphtha	$182-184	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$356.15	+1.50
Silver (per troy oz)♣	418c	+1
Platinum (per troy oz)	$351.25	+8.0
Palladium (per troy oz)	$85.5	+1.25
Copper (US Producer)	102.17c	+1.53
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.20r	-0.15
Tin (New York)	282.5c	-0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.69	+1.07*
Sheep (live weight)†♣	108.96p	+5.00*
Pigs (live weight)†	93.80p	+8.95*
London daily sugar (raw)	$213.4y	
London daily sugar (white)	$272.4y	-0.1
Tate and Lyle export price	£227	-0.5
Barley (English feed)	£123z	
Maize (US No. 3 yellow)	£146	
Wheat (US Dark Northern)	£101	
Rubber (Mar)♥	51.25p	+0.25
Rubber (Apr)♥	51.50p	
Rubber (KL RSS No 1 Feb)	214.0m	-0.5
Coconut oil (Philippines)§	$760y	
Palm Oil (Malaysian)§	$360z	
Copra (Philippines)§	$500t	-2.5
Soyabeans (US)	£148	+1
Cotton "A" Index	68.05c	-0.5
Wooltops (64s Super)	411p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	188.00	189.80	188.80 186.80
May	188.20	189.40	189.00 187.00
Aug	189.80	191.00	191.00 190.00
Dec	190.00		191.00
Mar	187.40		188.80
White	**Close**	**Previous**	**High/Low**
Mar	268.5	268.5	269.4 267.5
May	272.5	271.9	272.0 270.5
Aug	274.7	273.7	273.3 273.0
Dec	264.5	264.0	264.1 264.0

Turnover: Raw 427 (372) lots of 50 tonnes. White 2126 (1198)
Paris- White (FFr per tonne): Mar 1476.60, May 1508.45

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Mar	18.44	18.22	18.45 18.23
Apr	18.27	18.02	18.28 18.05
May	18.15	17.90	18.16 17.95
Jun	18.10	17.86	18.10 17.95
Jul	18.08	17.80	18.00 17.95
Sep	18.10		18.10 17.98
IPE Index	18.11	18.01	

Turnover 17873 (21175)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Feb	176.50	176.00	179.25 175.50
Mar	172.75	172.25	174.75 172.00
Apr	169.00	168.00	171.00 168.25
May	166.25	165.25	168.50 166.25
Jun	166.25	165.00	168.50 166.25
Jul	167.50	166.25	168.75 167.50
Aug	169.50	168.50	170.25 169.50
Sep	171.50	170.50	172.00 171.25
Oct	173.50	172.25	174.00 173.50

Turnover 13068 (14075) lots of 100 tonnes

TEA

There were 17,765 packages for the day, reports the Tea Brokers' Association. Demand was selective and less general. Landed lower priced Assams met fair support at easier rates, but mediums proved very irregular. A limited quantity of brighter liquoring east Africans remained about steady. All others declined by 3-8p and sometimes more. The small quantity of Ceylons attracted only fair demand. Offshore: limited enquiry at easier rates. The highest price realised this week was 185p for an Assam Bop.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	729	734	738 726
May	759	759	765 758
Jul	786	785	792 784
Sep	810	808	814 809
Dec	842	839	845 840
Mar	873	869	873 870

Turnover: 2734 (4098) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan.24 920.63 (905.35) 10 day average for Jan.27 912.97 (911.61)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Jan	980	1004	994 976
Mar	981	994	995 975
May	988	980	982 968
Jul	986	996	999 981
Sep	1002	1013	1010 1000
Nov	1017	1031	1025 1020

Turnover:1016 (2867) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan. 24: Comp. daily 60.14 (61.02) 15 day average 62.00 (62.09)
Sterling close: January £561 . March £566

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	118.5	119.8	119.5 117.6
May	138.0	139.5	138.5 137.5

Turnover 126 (119) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Feb	-	129.50	

Turnover - (85) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jan	1480	1495	1490 1475
Feb	1505	1520	1505 1485
Mar	1526	1545	1526 1510
Apr	1530	1545	1530 1510
Jul	1325		1305
BFI	1483	1502	1483

Turnover 271 (588)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Mar	127.40	127.60	127.80 127.60
May	131.10	131.20	131.55 131.20
Sep	112.25	112.15	112.15
Nov	115.65		115.60
Jan	119.45	119.50	119.50
Barley	**Close**	**Previous**	**High/Low**
Mar	119.65	119.50	119.50

Turnover: Wheat 50 (222), Barley 2 (45).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	110.5		110.5 110.5
Feb	117.5	115.0	117.0 115.0
Mar	117.0	115.0	116.5 115.0
Apr	116.0	114.5	116.5 115.0
May	115.6	115.0	115.5 115.0

Turnover:104 (91) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	136.86	136.68			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 39,187 lots
Cash	1267-8	1249-50		1260-1		
3 months	1291-2	1272.5-73	1298/1278	1285-6	1289-90	134,206 lots
Copper, Grade A (£ per tonne)						Total daily turnover 29,356 lots
Cash	1226.5-7.5	1193.5-94.5	1226/1215	1216-6.5		
3 months	1254-4.5	1220-21	1256/1241	1244-4.5	1262-3	116,817 lots
Lead (£ per tonne)						Total daily turnover 2,233 lots
Cash	280-1	281.5-82.5		281-2		
3 months	292-2.5	293-94	294/292	293-3.5	293-3.5	18,457 lots
Nickel ($ per tonne)						Total daily turnover 4,210 lots
Cash	7755-65	7860-70	7785/7782	7780-5		
3 months	7835-40	7930-35	7910/7800	7860-70	7790-800	21,005 lots
Tin ($ per tonne)						Total daily turnover 951 lots
Cash	5425-35	5440-50		5444-5		
3 months	5485-95	5505-10	5500/5460	5490-500	5485-95	6,074 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,988 lots
Cash	1178-9	1182-83	1170/1169	1169.5-70		
3 months	1164-5	1165-66	1168/1156	1158-9	1158-9	43,688 lots

LME Closing £/$ rate: SPOT: 1.7765 3 months: 1.7491 6 months: 1.7264 9 months: 1.7054

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	355.90-356.40	
Opening	354.80-355.20	
Morning fix	354.85	198.462
Afternoon fix	356.10	199.273
Day's high	356.70-357.00	
Day's low	354.70-355.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.29	6 months	3.26
2 months	3.30	12 months	3.26
3 months	3.29		

Silver fix	p/fine oz	US cts equiv
Spot	233.40	417.00
3 months	239.45	421.20
6 months	245.20	425.45
12 months	256.70	435.00

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.00-357.00	199.25-199.75
Maple leaf	367.00-369.00	205.25-205.75
New Sovereign	87.00-88.00	48.50-49.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	91	124	9	23
1300	29	64	46	62
1400	6	28	122	124
Copper (Grade A)	**Calls**		**Puts**	
2100	101	122	5	24
2200	32	62	36	62
2300	5	26	108	124
Coffee	**Mar**		**Mar**	
500	65			
550	23		8	
600	4		39	
Cocoa	**Mar**		**Mar**	
700	35		7	
725	20		18	
750	10		31	
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1700	9			
1750	13			
1800	24	67		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	354.8	354.4	0	0
Feb	355.0	354.7	357.2	354.6
Mar	355.9	355.6	358.0	357.0
Apr	357.0	356.7	359.3	356.6
Jun	359.1	358.8	361.3	358.6
Aug	361.3	361.0	0	0
Oct	363.4	363.2	0	0
Dec	365.7	365.5	368.0	366.6
Feb	368.1	367.8	368.2	368.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	351.5	346.5	0	0
Apr	351.5	346.5	354.0	349.0
Jul	351.5	346.5	354.0	350.5
Oct	354.5	349.5	355.0	355.0
Jan	355.0	350.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	415.3	414.7	0	0
Feb	415.3	414.7	0	0
Mar	416.8	416.3	421.0	413.5
May	419.9	419.4	423.5	417.0
Jul	423.1	422.6	427.0	420.0
Sep	426.5	426.0	428.5	428.5
Dec	432.1	431.6	435.0	430.0
Jan	434.0	433.5	0	0
Mar	438.1	437.6	0	0
May	442.4	441.9	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	75.10	75.70	76.10	75.05
May	78.00	78.55	78.95	78.00
Jul	80.75	81.20	81.60	80.70
Sep	83.45	84.00	84.25	83.40
Dec	86.90	87.56	0	0
Mar	90.15	90.65	90.80	90.80
May	93.15	93.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan.27	Jan.24	mnth ago	yr ago
1601.5	1602.8	1599.1	1680.4

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.24	Jan.23	mnth ago	yr ago
Spot	115.11	115.05	111.65	121.29
Futures	122.98	120.37	119.28	121.29

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	98.05	98.45	98.75	98.05
Feb	98.05	98.60	98.80	97.95
Mar	98.40	98.90	99.25	98.20
Apr	98.35	98.85	0	0
May	98.30	98.80	99.06	98.20
Jun	98.35	98.80	0	0
Jul	98.40	98.95	99.00	98.30
Aug	98.50	99.05	0	0
Sep	98.60	99.10	99.30	98.60
Oct	98.60	99.10	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Mar	19.38	19.00	19.37	19.07
Apr	19.48	19.11	19.50	19.19
May	19.49	19.14	19.50	19.19
Jun	19.46	19.13	19.45	19.18
Jul	19.43	19.12	19.40	19.16
Aug	19.40	19.11	19.33	19.12
Sep	19.38	19.10	19.34	19.12
Oct	19.37	19.10	19.35	19.11
Nov	19.38	19.11	19.36	19.10
Dec	19.36	19.13	19.37	19.14

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	5539	5470	5555	5465
Mar	5546	5476	5550	5445
Apr	5412	5364	5425	5345
May	5326	5258	5340	5255
Jun	5273	5208	5275	5225
Jul	5273	5208	5275	5230
Aug	5350	5280	5350	5345
Sep	5480	5410	5490	5490
Oct	5580	5510	5600	5570
Nov	5690	5610	5700	5700

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1176	1208	1206	1167
May	1216	1244	1241	1209
Jul	1255	1281	1278	1249
Sep	1285	1308	1300	1281
Dec	1320	1348	1338	1317
Mar	1353	1385	1355	1355
May	1374	1406	0	0
Jul	1394	1426	1410	1410
Sep	1424	1456	0	0
Dec	1454	1486	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.58	8.63	8.63	8.53
May	8.60	8.64	8.64	8.55
Jul	8.60	8.65	8.65	8.58
Oct	8.66	8.68	8.69	8.60
Mar	8.67	8.67	8.70	8.69
May	8.63	8.60	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	54.18	55.50	56.30	54.16
May	56.01	57.20	56.95	56.00
Jul	57.52	58.57	58.32	57.50
Oct	60.02	61.06	60.66	60.00
Dec	60.85	61.78	61.60	60.85
Mar	62.37	63.45	63.30	62.50
May	63.12	64.12	64.00	63.50
Jul	63.75	64.82	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	142.50	141.85	143.60	141.50
May	143.00	141.85	143.40	141.70
Jul	143.05	141.75	143.00	142.40
Sep	140.00	138.75	140.00	140.00
Nov	131.15	130.25	0	0
Jan	145.05	150.15	149.00	146.50
Mar	131.00	129.05	0	0
May	131.00	129.05	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	576/6	581/4	580/2	573/4
May	584/4	588/2	587/4	581/0
Jul	592/6	596/4	596/4	589/4
Aug	596/0	599/4	599/0	594/0
Sep	599/4	602/2	603/0	598/0
Nov	607/6	609/6	611/4	605/0
Jan	616/0	618/4	619/0	613/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.37	19.54	19.50	19.32
May	19.66	19.82	19.79	19.61
Jul	19.95	20.10	20.09	19.91
Aug	20.12	20.26	20.20	20.09
Sep	20.26	20.37	20.33	20.23
Oct	20.35	20.45	20.50	20.35
Dec	20.67	20.77	20.80	20.65
Jan	20.65	20.75	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	177.3	178.4	178.3	176.2
May	178.0	179.4	179.3	177.2
Jul	180.2	180.7	181.1	179.2
Aug	181.4	181.4	181.4	180.0
Sep	181.6	182.0	183.0	180.8
Oct	195.5	195.8	196.5	195.0
Dec	198.0	197.7	198.2	196.5
Mar	199.5	200.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	262/0	263/6	263/6	261/6
May	268/6	270/0	270/0	268/0
Jul	273/2	274/4	275/0	273/0
Sep	270/6	271/2	272/4	270/4
Dec	267/6	267/6	270/0	266/4
Mar	274/2	274/0	275/6	272/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	439/2	437/2	442/6	434/4
May	419/4	417/2	422/4	414/4
Jul	385/6	386/2	388/4	382/4
Sep	388/4	389/6	391/2	388/0
Dec	396/4	398/2	399/4	394/4
Mar	398/0	398/4	400/0	396/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	75.37	75.07	75.45	74.67
Apr	76.35	76.12	76.40	75.75
Jun	71.80	71.52	71.90	71.37
Aug	68.27	68.22	68.35	68.00
Oct	68.90	68.67	68.90	68.40
Dec	69.60	69.55	69.65	69.50
Feb	69.45	69.40	69.45	69.20

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.22	40.92	41.27	40.85
Apr	40.32	40.12	40.35	40.00
Jun	44.07	43.70	44.10	43.70
Jul	44.37	44.27	44.40	44.12
Aug	42.97	42.72	43.05	42.60
Oct	40.35	40.35	40.55	40.30
Dec	43.15	43.07	43.40	43.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	33.45	33.40	33.85	32.95
Mar	34.05	33.85	34.20	33.35
May	35.20	34.92	35.25	34.60
Jul	35.90	35.62	36.10	35.35
Aug	34.47	34.10	35.25	34.42

LONDON STOCK EXCHANGE

New account opens on buoyant note

By Steve Thompson

THE first day of the new two-week trading account saw share prices race higher in response to opinion polls in the weekend press indicating a Conservative party lead, and hints of increased scope for another cut in UK interest rates in the near term.

Better than expected UK trade figures, and a pledge by finance ministers and central bank governors of the Group of Seven countries to promote global economic growth, added to the general bullishness surrounding equities.

The FT-SE 100 share index closed 29.5 higher at 2,539.9. This was well below the day's best level, 2,547.6, or a rise of 37.2, reached just after a moderately positive opening by Wall Street.

Opening 18.3 points ahead, the Footsie never looked back. Dealers, said to be running extremely tight trading books, and worried late last week about the weekend's spate of opinion polls, marked prices sharply higher in an attempt to head off any big buying interest. A strong opening by the Footsie future also drove the market higher.

Marketmakers, who adopted a cautious view on the market late last week, were said to be concerned about the prospect of dividend cuts from some of the UK market's big names in the next few weeks, after last week's dividend reduction by Lonrho.

An illustration of the market's concern about possible dividend cuts came late in the session when Rank Organisation shares tumbled amid suggestions that the group may reduce the payment when it reveals preliminary figures on Thursday. There was also the suggestion that Rank could take the opportunity to launch a cash raising exercise via a rights issue. A more straightforward explanation for the steep decline in Rank shares, according to one specialist, was that one broker had attempted to place a line of some 200,000 shares.

The Rank story prompted a note of caution in an otherwise buoyant trading day. It was also pointed out that last week saw a growing number of cash calls in the market.

A steady flow of generally small buying orders kept prices high throughout the day. Turnovers, however, remained pitifully thin. Yesterday saw only 448.1m shares traded, well down on last week's numbers which saw the level of business top 600m on two occasions.

The better-than-expected December trade figures helped sentiment and kept sterling on an even keel against the D-Mark. Against the dollar, however, it was a different story. Sterling was sharply lower against the US currency and American buying was said to have been a substantial factor in the strength of the pharmaceuticals sub-sector.

Politically sensitive areas of the market responded readily to the opinion poll readings. Water stocks, the Labour Party's main target for re-nationalisation, surged higher, as did the regional electricity stocks.

There were worries among some commentators about the pace of the market's reaction to what is seen as a glimmer of hope on another cut in domestic interest rates. Mr Ian Harnett at Sociéte Générale Strauss Turnbull, the French-owned investment bank, described the market's response as "an excessive reaction to some small pieces of good news," but expected the Footsie to test the 2,550 level short term.

Account Dealing Dates			
*First Dealings:	Jan 13	Jan 27	Feb 10
Option Declarations:	Jan 23	Feb 6	Feb 20
Last Dealings:	Jan 24	Feb 7	Feb 21
Account Day:	Feb 3	Feb 17	Mar 2

*New-time dealings may take place from 8.30 am two business days earlier.

Pre-finals raid hits Rank

RECENT anxiety over Rank Organisation erupted after rumours swept the market that the company would announce a rights issue with its results on Thursday. The speculation triggered a heavy fall during late trading and the shares dropped to 598p at one stage before rallying to close a net 16 off at 607p. Turnover reached an above-average 782,000 shares.

An analyst said the heavy debt that Rank carries led dealers to suggest a £500m one-for-three cash call. However, he added that "it is an easy one for bear raids", and most observers tended towards that view.

There was also concern that the dividend might not be maintained. Mr Hamish Dickson at Hoare Govett put the fall down to market jitters prior to the results. "We think the dividend is safe, although we remain negative on the stock," he said.

Ms Jane Anscombe, at BZW, is a buyer of Rank and cites key fundamentals which have yet to make themselves felt on the balance sheet, such as the Mecca purchase.

Utilities wanted

Waters surged forward on the back of opinion polls favourable towards the Conservatives. Some brokers also recommended the stocks following the sector's recent poor showing, which put it at its lowest rating since the flotation.

Panmure Gordon has changed its stance on the sector from "neutral" to "overweight". Analyst Mr Alex Buck said: "Water shares are good value at the moment. Although they continue to be governed by political factors, we are recommending them whichever party wins the election." He is particularly keen on Wessex Water, 9 ahead at 381p, and Thames Water, up 13 at 359p.

An emergency statement was put out yesterday by Racal Electronics after press reports suggested that the company was facing problems reaching the profits forecasts it made during its recent successful defence against Hillsdown Holdings. The shares tumbled in heavy trading of 20m, but rallied after the company announced that its profits "will not be less than £50m". They finished a penny off at 48½p.

One leading electronics specialist supported the company view. "This will blow over quite quickly. I see no reason why Racal will not make those kind of profits," he said.

Fisons strong

An early gain in Fisons was clipped back as speculation faded that Medeva might bid for the group. However, Fisons shares turned sharply higher in the afternoon to close 14½ up at 349p.

The stock was supported in early trading by a report in a Sunday newspaper that Medeva had lined up Fisons for a £2.5bn takeover bid. Medeva denied the talk and ended the day 7 better at 255p.

The pharmaceuticals sector was strong amid a feeling that many of the stocks have been oversold recently. Glaxo rose 17 to 859p and SmithKline Beecham picked up 20 to 908p.

Wellcome was helped by a statement that it had reached agreement to sell its environmental health business to Roussel Uclaf, of France, for £43m. The price was less than some analysts had hoped for but the shares, which were firm earlier, advanced on the statement to finish 22 up at 1094p.

Body Shop forged ahead 39 to 362p on good turnover of 1.2m, receiving a boost from a positive article in Barron's, the US business weekly. It also gained from a general rebound in the sector and a feeling that Body Shop was oversold after recent profits downgrades by various brokers.

Clinton Cards jumped 14 to 79p on press speculation that W.H. Smith was about to launch a bid in spite of a denial by the latter yesterday. Clinton said earlier it had not received an approach and was not aware of any impending offer. W.H. Smith shares ended 3 higher at 461p.

A downgrade on P & O left the shipping group's shares 7 lower at 440p. Charterhouse Tilney, the stockbroking arm of Royal Bank of Scotland, cut its 1992 profits forecast by £37m to £248m, taking a more cautious overview of the shipping sector.

Charterhouse recommended that their clients switch from P & O to Eurotunnel, which gained 25 to 457p.

Profit-taking and the recent "topslice" recommendation issued by Kleinwort Benson pushed British Airways down 6 to 244p.

Television issues were in good form, gaining support from a hefty note on the sector by S.G. Warburg Securities. Scottish Television, which the house has as a soft buy, strengthened 13 to 728p.

Pre-press and printing group Wace fell sharply on market speculation following weekend press reports on IRA links with the stock market. The company took the unusual step of issuing a denial yesterday. The statement helped the shares to rally and they ended a net 11 down at 166p, after being 22 off earlier.

Argos firmed 3 to 271p, but on a day when the stores sector was strong the shares underperformed the market in keen trading. The retail team at BZW has changed its recommendation on the stock from hold to sell, pointing out that Argos shares now stand at a 50 per cent prospective premium to the market.

According to BZW the share price has underperformed the market by 9 per cent since the middle of last year and this trend will continue, as Argos loses its competitive edge.

Among life assurance companies, Legal & General touched 380p and finished 7 ahead at 375p. It announced that, in order to reduce the effect of volatile general insurance business on mainstream life and pensions profits, the company had reinsured 40 per cent of its household property structure and contents accounts.

L & G lost £38.3m at the half-year stage on £121.4m premium income on its UK property account, according to a spokesman. He dismissed speculation that the insurer had resorted to a reinsurance programme to avoid breaching capital ratio requirements.

Textiles were ignored by a strong market as UK investment bank S.G. Warburg stepped back from its bullish stance. Mr Lawrence Rubin, Warburg's textile analyst, turned short-term bear on the whole sector, arguing that: "There will be a lull in the sector's outperformance until later in 1992."

Lonrho was unable to rebound significantly from the 30 per cent fall in its shares sustained last Friday after reporting a lowered dividend and sharply reduced profits. The shares also went ex a 5p final dividend yesterday and closed 2 better at 117p.

Johnson Matthey had lost ground in the wake of Lonrho's results but bounced back yesterday as investors refocused on the prospects for its contribution to the catalytic converter market. The shares rose 20 to 355p.

ICI, which often tends to reflect the perceptions about the UK economy, jumped 24 to 1269p.

Airtours rose 11 to 244p after the scrip issue. Hoare Govett, the stockbroker, raised its profits forecast for Airtours following the news from the company last week that bookings were up by 95 per cent. Hoare is looking for £38m, up £1½m, for this year, and an extra £1m in 1993 at £43m.

Granada Group rose on weekend reports that BSkyB would move into profit by March. The shares gained 7 to 225p.

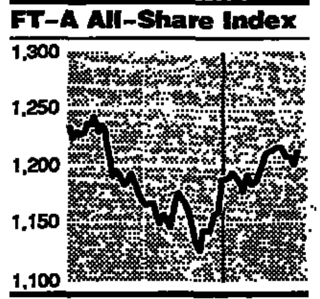
BT fully-paid added 6 at 324½p ahead of Thursday's finals and expected Oftel document. Analyst Mr Marshall Whiting at stockbroker Gilbert Eliot is positive on the stock, believing the cash flow to remain strong and the regulatory outlook as fair, with a service sector downturn the main cloud on the horizon.

Lucas was strong on the back of a recommendation from Strauss Turnbull. It is aggressively bullish on the prospects for the year ending July 1993, and believes the company will make around £100m, compared with the market's present average forecast of £70m. Lucas moved ahead 6 to 120p.

MARKET REPORTERS:
Peter John, Colin Millham
Christopher Price,
Steve Thompson.

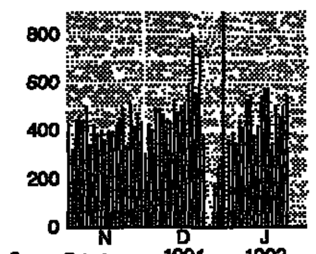
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options. Page 23.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (88).
BRITISH FUNDS (7) Tr. 8pc 1992, Tr. 8pc 1992, Tr. 8¼pc 1993, Fd. 6pc 1993, Tr. 8½pc 1994, Tr. 9pc 1994, Tr. 9½pc 1999, CANADIANS (1) Brascan, BREWERS & DISTILLERS (1) Grand Met., BUSINESS SERVICES (1) RCO, CHEMICALS (2) Courtaulds, Yorkshire, ELECTRICALS (2) Chemring, Hawker Siddeley, ELECTRONICS (6) ACT, Elect. Data Procg., Farnell, Hoskyns, Micro Focus, Telemetrix, ENGINEERING GENERAL (5) Bullough, Hall, Siebe, TT, Wheeoe, FOOD MANUFACTURING (3) Dalepak, Everest, Salvesen (Ch), FOOD RETAILING (2) Farepak, Iceland Frozen, HEALTH & HOUSEHOLD (2) Medeva, Smith & Nephew, HOTELS & LEISURE (5) Airtours, Eurocamp, Granada, Do. 7½pc (Net) Prf., Photo-Me, INVESTMENT TRUSTS (13) Abtrust Prfd. Zero Prf., City of Oxford Zero Prf., Fmg. Intl. High Zero Prf., Gartmore Amer. Sec. Zero Prf., Latin Amer. Wrrnts., M & G Inc. Zero Prf., Murray Split Cap. Zero Prf., River Plate Zero Prf., Scot. Natl. Zero Prf., Do. Stppd. Prf., St. Davids Zero Prf., TR Tech. Zero Prf., Templeton Emrg. Mkts., MEDIA (8) Carlton Comms., Grampian TVA, HTV, LWT 5.9375p Prfd., Radio Clyde, Scottish TV, Trinity Intl., Ulster TV, METAL & METAL FORMING (1) Johnson Matthey, MISCELLANEOUS (5) Airsprung Furn., Fil, Frost, Lambert Howarth, Le Creuset, MOTORS (3) Barr & WAT A, Central Motor Aucs., Volvo B, OIL & GAS (3) NZ Oil & Gas, Sidlaw, Tullow, OTHER FINANCIAL (3) Baring Chrysalis, Do. Wrrnts., Baring Puma, PACKAGING, PAPER & PRINTING (1) CMB Packaging, STORES (5) Body Shop, Boots, Lloyds Chems., Do. 7.5p Prf., Next, TELEPHONE NETWORKS (3) Camperl, Leeds, Stoddard, MINES (1) Nevan Res.
NEW LOWS (46).
BUILDING MATERIALS (2) Quiligotti, Starmin, CHEMICALS (1) Anglo United, CONGLOMERATES (1) Porter Chadburn, CONTRACTING & CONSTRUCTION (2) Laing (J) A, Lon. & Clydeside, ELECTRICALS (1) Wholesale Ftgs, ELECTRONICS (3) Denehtron, Sema, Vtech, ENGINEERING AEROSPACE (1) Br. Aerospace, ENGINEERING GENERAL (5) Aerospace Eng., Clayton Son, Ferrum, Renold, Sykes-Pickavant, FOOD MANUFACTURING (1) Hazlewood, HOTELS & LEISURE (1) Kunick, INSURANCE BROKERS (1) PWS, INSURANCE LIFE (1) Lon. & Manchester, INVESTMENT TRUSTS (8) Danae Inc., Drayton Recovery, Gartmore Value, Geared Inc., I & S UK Smllr. Co's Wrrnts., Nth. Amer. Gas, River & Merc. Wrrnts., Sphere Inc., METAL & METAL FORMING (1) Barrett (H), OIL & GAS (2) Gt. Western Res. Class A, Sceptre Res., OTHER FINANCIAL (2) Baltic, Union Discount, OTHER INDUSTRIAL MATERIALS (1) Allied Partnership, PACKAGING, PAPER & PRINTING (1) Wace, PROPERTY (6) Auked Assocs., Capital & Counties, Chesterfield, Debenham Tewson & C, Waterglade, STORES (2) Colorvision, Ratners 6⅞pc Prf., TEXTILES (2) Jacques Vert, Lister, TRANSPORT (2) All Nippon Airways, Jacobs (JI).

FINANCIAL TIMES STOCK INDICES

	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.74	87.70	87.74	87.70	87.86	84.43	87.94 (18/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.86	99.87	99.91	100.00	100.14	91.77	100.14 (21/1/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1966.4	1944.9	1963.5	1961.8	1974.1	1697.9	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	152.8	152.6	154.6	156.3	160.6	136.2	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2539.9	2510.4	2525.3	2522.0	2543.4	2170.3	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1176.71	1164.15	1166.67	1168.04	1172.39	973.08	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.65	4.70	4.67	4.68	4.65	5.63				
●Earning Yld %(full)	6.97	7.05	7.00	7.02	6.98	11.72				
●P/E Ratio(Net)(☆)	18.03	17.83	17.96	17.91	18.02	10.31				
SEAQ Bargns 4.45pm	26,965	33,312	28,215	27,489	29,816	33,255				
Equity Turnover(£m)†	-	1,004.6	990.3	1,058.8	1,116.6	1,755.6				
Equity Bargains†	-	32,882	28,747	28,588	29,163	32,480				
Shares Traded (ml)†	-	559.9	503.1	484.2	510.0	682.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.81

Ordinary Share Index, Hourly changes — Day's High 1971.5 — Day's Low 1958.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1959.7	1967.4	1963.0	1964.9	1968.4	1969.4	1970.3	1968.4	1967.1

FT-SE 100, Hourly changes — Day's High 2547.6 — Day's Low 2528.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2528.7	2539.5	2533.6	2538.3	2543.2	2544.2	2546.1	2544.5	2541.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1178.31 — Day's Low 1171.20

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1172.48	1172.14	1175.01	1176.01	1176.01	1176.62	1177.76

GILT EDGED ACTIVITY

Indices*	Jan 24	Jan 23
Gilt Edged Bargains	84.3	89.2
5-Day average	78.7	81.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	18	410	+2	Cookson	491	114	+4	Lucas	2,100	120	+6	Shell Transport	1,300	492	+5
ASDA Group	11,000	35½	+1	Courtaulds	1,900	524	+7	MB Caradon	578	283	+3	Siebe	376	578	+7
Abbey National	1,300	250	+1	Dalgety	57	351	+1	MEPC	388	368	+7	Slough Ests	120	228	+1
Albert Fisher	900	79	+1	De La Rue	63	510	+1	Manweb	132	310	+3	Smith (W H) A	[illegible]	461	+3
Allied-Lyons	1,300	626	-3	Dixons	603	228	+4	Marks & Spencer	2,800	295	+5	Smith & Nephew	2,900	149½	+1
Amstrad	1,200	28	+1½	ECC Group	72	488	+10	Midland Bank	3,000	222	+2	SmKl Beecham	1,000	908	+20
Anglian Water	1,200	350	+6	Eastern Elect.	2,500	223½	+4½	Midlands Elect.	417	258	+4	SmKl Beecham Uts.	34	4150	+110
Argos	1,700	271	+3	East Midland Elect.	418	247	+7	NFC	280	238	+5½	Smiths Inds.	35	276	
Argyll Group	2,700	303	+5	Enterprise Oil	135	446	-1	NatWest Bank	3,100	267½	+½	Southern Elect.	253	258	+8
Arjo Wiggins	671	281	+3	Eurotunnel Units	381	457	+25	National Power	488	213	+6	South Wales Elect.	15	311	+2
Ass. Brit. Foods	80	432	+11½	FKI	1,400	58	-1	Next	2,100	69	+1	South West Water	860	329	+4
[illegible]															
British Gas	4,100	343	+1	Hawker Sidd.	7	609	+9	Rentokil	242	391	+11	Unigate	511	289	-3
British Land	25	391	+4	Hillsdown	162	158	-1	Reuters	1,000	1089	+15	Unilever	1,600	905	+15
BP	3,300	387	+2	IMI	150	243		Rolls Royce	1,400	136		United Biscuits	374	405	+5½
British Steel	3,980	77½	+1	ICI	1,000	1269	+24	Rothmans	537	1071	-4	Utd. Newspapers	72	378	+5
British Telecom	5,100	324½	+6	Inchcape	744	418	+2	Ryl Bk Scotland	301	169	+1	Vodafone	730	352	+4
Br. Telecom New	11,000	117	+5	Kingfisher	352	519	+10	Royal Insurance	662	245	+7	Warburg (SG)	37	546	+1
Bunzl	984	86	-2	Ladbroke	2,600	219	+5	Saatchi	481	13½		Wellcome	339	1094	+22
Burmah Castrol	454	510	+5	Land Securities	239	475	+6	Sainsbury	6,900	384	+8	Welsh Water	1,600	364	+9
Burton	1,300	36	-½	Laporte	37	618	+5	Scottish & New	771	426	-1	Wessex Water	639	381	+9
Cable & Wire	1,600	583	-1	Legal & General	583	375	+7	Scot. Hydro-Elect.	1,200	101	+1½	Whitbread 'A'	164	469	-2
Cadbury Schweppes	653	441	+1	Lloyds Abbey	492	378	+4	Scottish Power	1,700	100	+3	Williams Hldgs.	1,300	323	+2
Calor Group	80	205	+1	Lloyds Bank	408	397	-1	Sears	3,600	97	+1	Willis Corroon	2,400	281	+8
Carlton Comms.	429	558	+5	LASMO	1,000	247	+2	Sedgwick	1,000	226	+4	Wimpey	336	115	+3
Coats Viyella	595	179	+1	London Elect.	86	247	+4	Seeboard	318	258	+9	Yorkshire Elect.	925	305	+6
Comm. Union	129	465	+6	Lonrho	10,000	117	+2	Severn Trent Water	2,800	327	+7	Yorkshire Water	1,100	375	+14

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

AN OVERHEATED premium in stock market futures held back turnover yesterday as investors waited for the underlying equity market to catch up, writes Peter John.

The FT-SE contract for March delivery opened at 2,575, 45 points above cash, and ticked up a further five-point gain in response to the general economic optimism.

Although it ran out of steam at 2,580 the enthusiasm emanating from a weekend MORI poll and the present G-7 summit deterred any unwinding of long positions.

On the other hand, the high premium of March, against its new estimated fair value premium of 16, ensured that it was far too expensive to buy.

Active morning trading drifted into desultory two-way business which resulted in a small slide and low closing turnover of some 5,000 lots before after hours dealing. By the official close, March had recovered to end the day at 2,580, a premium of 39.

In LTOM, volume was just over 24,000 contracts. The busiest stock option was BT, with 1,520 lots dealt. Most of the turnover was represented by a bearish hedging trade as one UK investment bank bought 1,300 of the May 300 puts at 6. Lonrho was also active with 1,475 lots dealt.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 High	1991/92 Low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							
Five to Fifteen Years							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 High	1991/92 Low	Yield Int.	Yield Red.
[illegible]							
Undated							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 High	1991/92 Low	Yield (1)	Yield (2)
Index-Linked	(b)						
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 High	1991/92 Low	Yield Int.	Yield Red.
[illegible]							

APPOINTMENTS

Unilever's heir apparent

Michael Perry is to succeed Sir Michael Angus as chairman of the British half of Unilever in May, one of a number of top management appointments at the Anglo-Dutch food and consumer products group.

Perry has been Sir Michael's heir apparent since last May when he was named a vice chairman of Unilever PLC and a member of the three-man Special Committee, the group's most powerful executive authority.

Like Sir Michael, Perry, who turns 58 next month, has spent his entire working life with Unilever. However, his career as a manager has spanned a wider range of geographical and business assignments.

After joining Lever Brothers, the group's UK detergents business, as a management trainee in 1957, he spent several years working on detergents and personal products in the Netherlands before becoming marketing director of Lever Brothers in Thailand in 1968.

Following a period in London, he returned to Thailand in 1973 as chairman of Levers. He then went to Argentina and Japan before returning again to the UK. In 1987, he was put in charge of Unilever's personal products business and marketing division.

Sir Michael Angus' place on the Special Committee will be filled by Morris Tabaksblat, chairman of Unilever's Food Executive, who also becomes a vice chairman of Unilever N.V. This puts him in line to succeed Floris Maljers as chairman of Unilever N.V.

Unilever also named Roy Brown, managing director of Lever Brothers UK, and Clive Butler, a senior manager of the Food Executive, as main board directors. Mr Patrick Egan, a director for 14 years, will step down in May.

Royal's US gap

The hunt is on for a new boss for the ROYAL BANK OF SCOTLAND's US banking business following the announcement that George Graboys is retiring as president and chief executive of the Royal Bank's Rhode Island-based subsidiary – Citizens Financial Group.

Graboys, who has headed Citizens for the last decade, is the latest in a series of top level retirements at the Royal Bank of Scotland Group. It is just over a year since George Younger took over from Sir Michael Herries, as chairman, and earlier this month George Mathewson replaced Charles Winter as group chief executive.

Picking the right replacement for Graboys, who has overseen a five-fold growth in Citizens' assets to $4bn, is important because so many UK banks have run into difficulties in the US banking market. Under Graboys, Citizens has remained profitable throughout the deep US recession and remains one of the best-capitalised banks.

Although Herbert Cummings, an executive vice president of Citizens Financial and Kenneth Hogberg, the chief financial officer, are potential candidates for the top job, it is likely that the successor will come from outside the bank.

Graboys is to retire in December when he will have reached the age of 60.

Back to academe in Glasgow

Gavin McCrone, one of Scotland's top civil servants, is joining GLASGOW UNIVERSITY's social and economic research department where is already a visiting professor.

McCrone, a Cambridge-educated economist, was unusual in entering the Scottish Office in 1970 from academic life, first as special adviser to the then Labour Scottish Secretary.

Since 1972 he has been chief economic adviser, as well as holding, concurrently, a number of senior administrative posts - including head of the industry department from 1980-1987.

McCrone, 59, possesses an exceptionally lucid delivery and is one of the most open figures at the Scottish Office. In 1986 he assisted Malcolm Rifkind as Scottish Secretary when the latter gave Ernest Saunders a ferocious wigging over Guinness's broken promises to Scotland.

In 1987 he was made head of the environment department, removing him from day-to-day events in industry and thus diminishing his role as chief economic adviser.

Harold Mills, 53, currently the Scottish Office's principal financial officer, replaces McCrone as secretary of the environment department but no appointment has been made to the post of chief economic adviser.

COMMONWEALTH BANK OF AUSTRALIA
(formerly the Commissioners of the State Bank of Victoria)
US$ 300,000,000 Guaranteed Floating Rate Notes Due 1996

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from January 27, 1992 to July 27, 1992 the Notes will carry an interest rate of 4 13/16% per annum.
The interest payable on the relevant interest payment date, July 27, 1992 will be US$ 240.14 per Note of US$ 10,000 nominal and US$ 6,003.47 per Note of US$ 250,000 nominal.

THE AGENT BANK:
KREDIETBANK
S.A. LUXEMBOURG

RUSSIA

The FT proposes to publish this survey on
March 26 1992.
The survey will be included in the FT of that day and will be printed in London, Frankfurt, Roubaix, New Jersey and Tokyo. It will be distributed in 160 countries worldwide.
For further information about advertising in the survey please contact
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Nina Golovyatenko
in Moscow
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Fax. (095) 243 00 77 (095) 251 24 57

FT SURVEYS

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 28.01.92: Pool purchase price £/MWh	Final Prices for Trading on 21.01.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.16	17.11	17.11
0100	17.20	19.10	20.56
0130	17.21	19.25	20.72
0200	17.21	19.25	20.71
0230	17.16	19.25	20.70
0300	17.16	17.13	17.13
0330	17.16	17.11	17.11
0400	17.15	17.09	17.09
0430	17.13	17.08	17.06
0500	17.13	17.05	17.05
0530	17.16	17.06	17.06
0600	17.15	17.03	17.03
0630	17.16	17.05	17.05
0700	17.47	17.05	17.05
0730	18.04	17.08	17.08
0800	19.31	17.08	17.08
0830	19.42	17.13	17.13
0900	19.96	17.21	17.21
0930	21.85	18.81	20.27
1000	21.88	18.94	20.41
1030	21.86	19.48	20.96
1100	21.80	19.46	20.66
1130	19.97	19.46	20.95
1200	19.96	19.46	20.95
1230	19.93	20.99	22.64
1300	19.80	20.99	22.52
1330	19.34	19.46	20.92
1400	19.09	19.46	20.93
1430	17.49	19.29	20.75
1500	17.47	17.21	17.21
1530	17.48	17.21	17.21
1600	19.35	19.03	20.48
1630	26.49	20.55	22.05
1700	52.76	21.51	23.03
1730	62.02	21.51	23.02
1800	58.25	21.51	23.01
1830	34.61	21.10	22.59
1900	24.95	20.80	22.28
1930	22.14	20.80	22.28
2000	19.42	20.55	22.04
2030	19.18	20.17	21.65
2100	19.16	17.14	17.14
2130	18.04	17.10	17.10
2200	18.00	17.08	17.08
2230	17.20	17.02	17.02
2300	17.16	17.00	17.00
2330	17.13	17.01	17.01
2400	17.08	17.10	17.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		35 7/16xd	+7/16	36 5/8	20 7/8	15,123	1.5
♥Allegheny & W		274p	+11	388p	218p	142.4	5.8
Amdahl		935pxd	+15	1018p	667p	1,037	0.6
Amer Cyanamid		34 1/8	+1/16	42 1/2	25 3/8	3,182	2.3
Amer Express		12 7/16xd	+1/32	17 7/8	9 15/16	5,858	4.3
Amer T & T		21 7/16xd	-15/32	24 1/2	15 1/4	28,081	3.3
Ameritech		38 1/16	-1/16	38 7/8	32 1/2	15,789	5.0
BankAmerica		21 5/8xd	-3/32	28 5/16	12 7/16	4,781	3.0
Bankers NY		35 3/4xd	—	38 3/16	20 1/16	2,987	7.3
Bell Atlantic		26 3/4xd	+1/4	38 1/2	24 1/4	10,928	5.0
BellSouth		28 1/8	-1/4	31 1/4	25	13,783	5.2
♥Bethlehem Steel		8 13/16xd	+1/16	11 1/4	6 3/16	881.2	2.4
Bowater		1234p	-12	1639p	1042p	464.8	4.9
CPC		47 3/8xd	-1/2	54 15/16	37 11/16	3,581	2.5
California Engy		784p	+12	990p	420p	142.7	—
Campbell Soup	h	22 7/16	-3/16	25	14 1/8	8,071	1.7
Chase Manhattan		12xd	—	12 1/4	5 5/16	1,631	5.3
Chrysler		7 3/16xd	+7/16	9 3/8	5 3/8	2,168	4.2
Citicorp		8 1/4xd	—	10 7/8	4 5/8	2,833	—
Colgate-Palm		26 3/8xd	-1/8	27 5/8	21 7/16	3,835	2.1
Cont'l Bank		724p	+22	928p	438p	731.6	5.9
Dana		17 7/8xd	+1/8	21 5/8	13 5/8	734.7	4.8
Data General		675p	+1	1282p	203p	186.3	—
Dial		27 1/2xd	-3/8	27 7/8	12 7/8	1,091	2.7
Dun & Brad		30 1/8	-1 1/8	31 5/8	20 3/4	5,428	3.8
Eaton		37 5/8	+1/4	40	24 1/4	1,281	3.1
Echlin		8 7/16xd	-3/16	8 13/16	5 1/2	471.2	4.4
FPL		19 15/16xd	+1/8	20 1/8	14 7/16	3,305	6.6
Fluor		25 3/4xd	-1/4	30 9/16	17 7/16	2,084	0.8
Ford Motor		18xd	+1/4	23 1/4	13	8,521	3.0
Gen Elect		43 7/8xd	-1/2	46 13/16	28 3/16	38,021	2.7
♥General Host		492p	+56	586p	270p	—	3.9
Gillette		28 1/2xd	-1/8	45 3/4	20 7/8	6,291	1.2
Hasbro		22 1/2	+1/2	24	7 15/16	1,290	0.6
Honeywell		40 7/16xd	-1/16	40 1/2	21 3/4	2,629	2.2
Houston Inds		24 1/8	—	24 1/4	17 7/8	3,119	6.5
IBM		52 1/8xd	-7/16	72 13/16	46	29,822	4.9
Ingersoll-Rand		33 1/4xd	—	33 1/4	18 7/16	1,723	2.1
Lockheed		23 1/2xd	-3/4	26 1/8	16 1/8	1,467	4.5
Lowe's		2108p	+17	2220p	1245p	788.7	1.4
Merrill Lynch		35 7/16xd	-13/16	39 13/16	10 15/16	3,850	1.5
Morgan (JP)		35 1/8xd	-1/8	38 1/4	21 11/16	6,634	3.3
Morris (Philip)		42 3/4xd	-3/8	44 5/8	25 1/16	39,578	2.6
NYNEX		42 7/8	-3/8	45 3/4	39	8,696	5.7
♥Pac Agric		26 1/2p	—	89p	15p	—	—
Pall		17 1/8	-3/8	17 13/16	10 7/16	1,502	1.1
Pennzoil		29 3/4xd	-1/8	46 1/8	28 1/4	1,282	5.4
Quaker Oats		38 7/16	-7/16	40 1/16	24 7/8	2,938	2.4
Rockwell		15 7/16xd	—	17 5/8	12 1/8	3,494	3.2
Rep NY		24 7/16	-9/16	27 15/16	16 1/2	1,271	2.2
Sears, Roebuck		22 3/4xd	-1/4	25 5/8	12 11/16	7,828	4.7
Sthwestern Bell		34 5/8xd	—	35 7/8	25 5/8	10,361	4.4
Sun Co		16 1/8xd	—	20 1/4	14 1/8	1,719	6.0
Tenneco		20xd	-1/16	27 1/8	14 7/8	2,449	4.3
Texaco		34 3/8xd	+1/4	40 1/2	29 1/16	8,895	5.0
Texas Instr		19 7/16xd	-13/16	26 1/8	14 1/8	1,803	2.0
Time Warner		51 7/8xd	-1/8	64 1/2	37 7/8	4,789	1.0
TRINOVA		12 3/16xd	-1/16	16 5/8	8 13/16	347.6	2.9
♥Unilab		508p	—	555p	250p	472.8	—
Utd Tech		26 1/2xd	-1/8	31 1/2	22 3/8	3,486	3.4
♥Utilitech		68p	—	92p	42p	—	—
US West		21 1/8	+1/16	23	18 1/4	8,630	5.2
Varity		638p	+7	1418p	578p	208.8	—
Waste Manage		24 13/16xd	—	25 7/8	16 5/8	11,789	0.9
Whirlpool		2377p	-25	2459p	1053p	1,662	2.5
♥Woolworth		16 1/4	-3/16	20 3/16	12 3/4	2,119	3.5

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1991/92 High	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MISCELLANEOUS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, Inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	226.5	229.6	244.2	+2.5	6.82
(Accum Units)	5	367.4	372.5	396.2	+4.1	6.82
UK Growth	5	282.5	286.1	304.3	+3.2	4.53
(Accum Units)	5	341.1	345.4	367.4	+3.9	4.53
Int Equity Gth ♦	5	48.17	48.29	51.37	-0.12	1.22
Intl Bond	5	54.60	54.60	57.32	-0.05	7.77
Special Sits Gwth	5	15.59	16.07	17.09	+0.11	3.74
North American Gwth	5	71.30	71.58	76.14	-0.38	0.96
European Growth ♦	6	49.78	50.06	53.25	+0.39	1.36

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

MW Joint Investors	0	1072.5	1072.5	1099.1	—	4.40

Maiden Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

Maiden General	0	103.5	103.5	106.6	.....	5.46

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, Inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Century Life Plc

2 Eyre Street Hill, London EC1R 5AE 071-278 4488

City Of Edinburgh Life Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Far East Emerg Econ	40.3	42.4	....	-
Fund of Inv Tsts	59.0	62.0	+0.5	-
Money	157.1	165.0	+0.1	-
Special Situations	85.6	89.8	+0.4	-
UK Growth	130.0	136.5	+0.7	-
World Growth	123.2	129.4	+0.5	-
Pension Funds				
Fund of Inv Tsts	132.8	139.4	+1.1	-
Special Situations	127.2	133.6	+0.6	-
UK Growth	218.0	228.9	+2.0	-
World Growth	152.4	160.0	+0.6	-
UK Life Assurance				
Managed	103.5	108.9	+0.3	-
Property	116.6	122.8	+0.2	-
Equity	154.8	162.9	+0.8	-
International	97.6	102.8	+0.3	-
Fixed Interest	140.4	147.8	-0.8	-
Deposit	139.2	146.5	+0.1	-
Langham 'A' Plan	105.9	111.4	....	-
Langham Prop Bond	611.0	643.1	....	-
Langham Wisp Managed	160.0	168.4	....	-
Pension Funds				
Managed Capital	76.7	80.8	+0.3	-
Managed Accum	107.7	113.4	+0.4	-
Property Capital	88.1	92.8	+0.1	-
Property Accum	123.5	130.0	+0.2	-
Equity Capital	123.3	129.8	+0.6	-
Equity Accum	173.1	182.2	+0.9	-
Intl Capital	69.8	73.4	+0.2	-
Intl Accum	97.8	103.0	+0.4	-
Fxd Int Capital	114.1	120.1	-1.0	-
Fxd Int Accum	160.0	168.4	-1.3	-
Deposit Capital	120.3	126.7	+0.1	-
Deposit Accum	168.9	177.8	+0.1	-
Langham Harvest	276.7	291.2	-	-

Citibank Life

Perrymount Road, Haywards Heath 0444 414111

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ser 1	276.6	291.1	....	-

Guardian Royal Exchange

Royal Exchange, EC3 071-283 7101

Guardian Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Property Bonds	666.6	684.0	....	-
Choice Wth-Pfts Lg-tm	133.6	140.7	+0.1	-
Choice Wth-Pfts St-tm	125.1	131.7	+0.1	-
Choice Managed	155.7	163.9	+0.5	-
Choice Equity	158.9	167.3	+0.9	-
Freedom Wth Pfts Long-Tm	108.5	114.2	+0.1	-
Freedom Wth Pfts Short-Tm	107.4	113.1	+0.1	-
Freedom Managed	92.4	97.3	+0.5	-
Freedom Equity	88.6	93.3	+0.6	1.69
GRE Linked Life Assurance Ltd				
Managed Initial	355.3	373.9	+1.6	-

Legal & General – Contd.

Unit Pensions

Kingswood, Surrey, KT20 6TH 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex. Bldg Soc Lnkd.	161.7	170.3	+0.1	-
Do Accum	206.3	217.2	+0.2	-
Exempt Cash Init	286.9	302.0	+0.2	-
Do. Accum	461.4	485.7	+0.4	-
Exempt Eqty Init	857.4	902.6	+10.3	-
Do Accum	1378.5	1451.1	+16.6	-
Exempt Euro Init.	157.1	165.4	+0.8	-
Do. Accum	194.3	204.6	+1.2	-
Exempt Far East'n Init.	203.3	214.0	-1.9	-
Do. Accum	251.4	264.7	-2.3	-
Exempt Fixed Int.	445.6	469.2	+0.4	-

Manulife Group

St George's Way, Stevenage Enquiries 0438 356101

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ser 1 & 2	524.8	552.4		-
Managed Ser 3	96.7	101.8	+0.3	-
Property Ser 1 & 2	455.4	479.4	..	-
Property Ser 3	86.7	91.3		-
Equity Ser 1 & 2	635.9	669.4		-
Equity Ser 3	99.1	104.3	+1.0	-
Gilt Edged Ser 1 & 2	477.6	502.7	.....	-
Gilt Edged Ser 3	115.7	121.8	-0.1	-
Deposit Ser 1 & 2	291.3	306.6	.....	-
Deposit Ser 3	117.1	123.3	+0.1	-
Investment Ser 1	270.1	283.6	-	-
International Ser 1 & 2	406.0	427.4		-

	Bid Price	Offer Price	+ or -	Yield Gross
Ex Rsh Amer Jan 23	1084	1100	....	3.01
Ex Pac Basin Jan 23	708	719	.....	2.77
Ex Smllr Cos Inc Jan 23	1262	1346	....	7.57
Ex Smllr Cos Acc Jan 23	1313	1401	....	7.57

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP Jan 14	287.6	302.7	....	-

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Jan 15	96.32	101.75xd	....	4.06
(Accum Units)	101.88	107.40	..	4.06

For Touche Rem see Societe Gen Touche Rem

INSURANCES

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	264.0	277.9	.....	-
Equity Ser. 1	132.3	139.3	+1.5	-
Prop. Acc. Ser 2	449.3	473.0	....	-
Equity Ser 2	162.3	170.9	+1.9	-
Selective Acc. Ser 2	370.8	390.4	+2.0	-
Prop. Ser. 4	355.4	374.2	.....	-
Equity Ser. 4	163.5	172.2	+1.8	-
Man. Ser. 4	482.3	507.7	+1.2	-
Fixed Int. Ser. 4	278.7	293.4	-0.4	-
Indexed Inv. Ser. 4	162.4	171.0	+0.2	-
American Ser. 4	369.2	388.7	-0.2	-
Japan Ser 4	272.6	287.0	-4.2	-
European Ser 4	109.9	115.7	+0.9	-
High Inc. Ser. 4	480.9	506.3	+2.7	-
Money Ser. 4	287.8	303.0	..	-
Intl Ser. 4	119.7	126.1	-0.5	-
Canadian Ser. 4	122.1	128.6	-0.2	-
Asian Pacific	97.4	102.6	-0.3	-
Ethical	102.3	107.7	+0.2	-
Pension Funds				
Property	649.6	683.9	.....	-
Equity	1197.0	1260.1	+12.2	-
Selective	411.1	432.8	+2.4	-
Managed	953.7	1003.9	+3.5	-

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	109 9	115 7	......	–
Pension Managed Fd.	108.3	114 0		–
Life Deposit Fd	112.2	118 1		–
Pension Deposit Fd	119.5	125 8		–

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	172.3	181 4		–
UK Equity	182 1	191 7		–
Overseas Equity	137 2	144 5		–
Fixed Interest	160 5	169 0		–
Property	130 9	137 8		–
Index Linked	154 2	162 4		–
Deposit	166 8	175 6		–
With Profits (B)	136.5	143.5		–

National Provident Institution
48 Gracechurch St London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	357.2	376.0	+2.4	–
UK Equity	447 0	470 6	+5.1	–
Overseas Eq	344 0	362.2	+0.5	–
American	302 4	318 4	-0 6	–
Far East	349.6	368 1	-3.4	–
Property	194 8	205.1		–
Fixed Int	278 4	293.1	+1.4	–
Indexed Gilt	163 9	172.6	+0 9	–
Deposit	190 6	200 7	+0 1	–
With Profit	106 9	112.5	+0 1	–
Pension Fund (Accum Units)				
Managed	516.4	543 6	+2.8	–
UK Equity	602.8	634 6	+6.3	–
Overseas Eq	585.2	616 0	-0 8	–
American	395 5	416 4	-0.5	–
Far East	581.5	612.2	-6 1	–
Property	249 6	262 8	-0 1	–
Fixed Int	348 9	367 3	+1 3	–
Indexed Gilt	178.7	188.2	+1.5	–
Deposit	270 8	285 1	+0.2	–
NPI Pensions Management Ltd				
Managed Fund	1078.5	1097.8	....	–

Prices January 2 Next dealing February 3

Providence Capitol Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	217.4	229.4	+1.3	–
UK Fixed Int Acc	196 6	207.4	+0.1	–
Intl Equities Acc	178.2	188.0	-0.2	–
UK Managed Acc	172.1	181.5	+0 6	–
Property Acc	225 6	238.0		–
Money Acc	135 3	142.8	+0 1	–
Special Market Acc	156.7	165.3	+0 8	–
Japan Equity Acc	92 9	98 1	-1 4	–
North American Acc	110.8	116.9	+0.5	–
Pacific Acc	94.1	99.3	-0 8	–
Technology Acc	143.8	151.7	-0.3	–
Nat Resources Acc	56.1	59.2	-0.6	–
European Acc	102.3	108.0	+0.5	–
Residential Prop Acc	85 0	89 7		–
Swiss Equities Acc	33.8	35.7	+0.1	–
Hong Kong Acc	72.4	76 4	-0 9	–
UK High Inc Eq Acc	69 7	73.6	+0.3	–
Int Fixed Interest Acc	62.0	65.5		–
Int Managed Acc	57 7	60 8		–
HIP Managed Acc	118.3	124 7	+0.5	–
HIP Managed II Acc	104.5	110.2	+0.4	–
HIP Managed III Acc	112 4	118.5	+0.3	–
Total Investment Bond				
UK Equity Initial	147.2		+0 9	–
UK Fixed Int Initial	133.3		+0 1	–
Intl Equities Initial	119.9		-0.1	–
UK Managed Initial	116 7		+0 4	–
Property Initial	154.0		......	–
Money Initial	92.2		....	–
Special Market Initial	121.1		+0 6	–
Japan Equity Initial	71 8		-1 1	–
North American Initial	85.6		+0.3	–
Pacific Initial	72.8		-0.5	–
Technology Initial	111 1		-0 2	–
Nat Resources Initial	43.4		-0.3	–
European Initial	91.3		+0 4	–
Residential Prop Init.	80.8			–
Swiss Equities Initial	32.2		+0 1	–
Hong Kong Initial	68 9		-0.7	–
UK High Inc Eq Init.	66.3		+0.3	–
Int Fixed Interest Init	59.8		....	–
Int Managed Init.	55 7		-0.1	–
HIP Managed Init.	114.4		+0.5	–
HIP Managed II Initial	102.4		+0.3	–
HIP Managed III Init.	111 4		+0.3	–
Broker Funds				
High Performance	75.4	79.5	+0.1	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED**)

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	Bid Price	Offer Price	+ or -	Yield Grs
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$15 95	16.75	+0 05	1.80
Japan Tech	$54 08	56 79	−0.59	0.00
Japan Fund	$23 64	24 83	−0 24	0 00
Japan New Sects Fd	$17.70	18.59	−0.18	0.00
[illegible]	$59 81	62.81	+0.39	0.00
[illegible]	$24 68	25.92	+0 04	0.00
[illegible]	$24.27	25.49	+0.10	0.54
[illegible]	$63.42	66.60	−0 02	1 28
[illegible]	$17 67	18.56	−0.01	7.66
[illegible]	$13.91	14.61	+0.06	0 74
[illegible]	£0.87	0.92	.....	1.92
[illegible]	$12 35	12.95	+0 03	0.00
[illegible]	$95.96	98.76	−0.50	1.32
[illegible]	£4.16	4 40	.....	0.00
[illegible]	$10.94	11.54	+0 03	0.00
[illegible]	£19.99		+0.01	9.62
[illegible]	$23.57			4.72
[illegible]	DM41.39		+0 01	7.70
[illegible]	$46.51	48 83	+0.05	4 76
Federated International Funds Plc				
[illegible]	$1 00		.....	3 88
[illegible]	$1.00			3.78
[illegible]	$100.01		+0.01	3.76

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Trust Funds—Contd.						
UK Equity	5	143 88	143 88	153 35	+1.19	0.99
International Equity	5	120 88	120 88	128.98	−0.29	0 00
Far Eastern	5	91.22	91 22	97.96	−1 10	0 00
European	5	86.36	86.36	91.63	+0.19	0.00
Pan American	5	169.04	169.04	179 34	+0.42	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	98.13	98.13	101.41	+0.16	9 86
Monthly Share	3	97 66	97.66	100 90	+0.15	9 91

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mngrs (1600)F

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£21.77		+0.01	9 6
US Dollar	$31 69		+0 01	3.0
Deutschemark	DM56 25		+0 04	8.3
Yen	Y4.091		+0001	4 1
Managed Multicurrency	£13.28	13.76	−0.04	-
Managed Multicurrency	$25 43	26.53	+0.01	-
Bond Funds				
Sterling Bond	£0 419	0.436		10 6
US Government Income	$100 04	103 60	−0.23	6 7
Asian Selection Funds				
Hong Kong	$14.563	15.329	−0 096	3 0
Indonesia	$7 825	8.237	+0 026	2.5
Korea	$9 785	10.274	+0.006	2.5
Malaysia	$10 414	10.962	+0.011	0.5
Philippines	$12.592	13 255	−0 044	2.5
Singapore	$12.541	13.201	+0.064	1 0
Thailand	$13 404	14 110	−0 150	2.5
South East Asia	$12.529	13 182	+0 011	3.0
US Dollar Liquidity	$9.628	10.109	+0 001	3.4
Cater Allen Investment Management (CI)				
CA Gilt Income	£6.69	6 99	.....	7 17
CA Gilt & Futures	£1.035	1.089	.....	7.35
CA Equity Gwth	£3 96	4.30	.....	3.49

[illegible]

Abtrust Fund Mngrs Luxembourg SA (u)

13 rue Goethe L-1637 Luxembourg

[illegible]

Aetna Intl Umbrella Fund (u)

47 Blvd Royal, PO Box 275, L-2012 Luxembourg

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar gains as G7 disappoints

THE DOLLAR strengthened on currency markets yesterday following the weekend meeting of finance ministers and central bankers of the Group of Seven industrial countries, *writes Simon London.*

The communique released after the G7 meeting said that the participants had reviewed recent developments in the foreign exchange markets and reaffirmed their desire for stable rates. However, this was not related to specific rates or broader policy goals.

The US unit rallied as soon as the statement was released, gaining ground in Tokyo and maintaining the firm tone through European trading.

From a New York finish of Y123.55 and DM1.5920 on Friday, the dollar rose to stand at Y124.57 and DM1.6040 by the Tokyo close. All through Asian trading, dealers pushed the dollar higher, although fears of central bank intervention held the dollar below Y125 and DM1.6150.

Many analysts had been watching for more specific foreign exchange goals, such as a stronger yen to contain the Japanese trade surplus.

The tone of the statement was underlined by comments from Mr Yasushi Meino, Bank of Japan governor. He said that the G7 meeting had not discussed specific exchange rates.

In afternoon trading in London, the dollar pushed through resistance levels seen in Tokyo to peak at DM1.6180 and Y125.40. The US currency closed in London at DM1.6165, from DM1.5875 on Friday; and Y125.40 from Y123.30. The dollar was also strong against sterling, ending at $1.7765, from $1.8055 on Friday. In New York the US unit ended at DM1.6105, Y125.25 and $1.7820.

Many economists are expecting the US unit to push ahead this week, testing resistance at DM1.6350, its peak during the last rally earlier this month, and Y127, the level at which the US and Japanese authorities intervened on January 17.

Elsewhere, the D-Mark weakened as dealers focused on potential industrial disputes in Germany. The German currency fell to Y77.60, having traded over Y78.00.

The weakness of the D-Mark against the Spanish peseta, which appreciated to Pta63.00 from the Pta63.20 level seen last week, raised sterling's floor within the European exchange rate mechanism.

The pound's floor, determined by its maximum permitted divergence from the strongest currency in the system, was yesterday around DM2.8665.

However, sterling was buoyant following the publication of opinion polls at the weekend giving the UK Conservative government a narrow lead.

Current account figures for December also supported the UK currency. The data showed the current account deficit narrowed to £338m in December, from £630m in November. The deficit for the whole of last year was £5.78bn, against an official forecast of £6.5bn.

Sterling traded above DM2.87 for most of the day, finishing at DM2.8725 in London, from DM2.8650 on Friday.

£ IN NEW YORK

Jan.27	Close	Previous Close
£ Spot	1.7815-1.7825	1.7965-1.7975
1 month	0.97-0.95pm	1.00-0.99pm
3 months	2.78-2.75pm	2.78-2.75pm
12 months	9.25-9.15pm	9.37-9.27pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.27	Previous
8.30 am	90.6	90.4
9.00 am	90.7	90.4
10.00 am	90.6	90.4
11.00 am	90.6	90.4
Noon	90.6	90.4
1.00 pm	90.6	90.4
2.00 pm	90.6	90.4
3.00 pm	90.6	90.4
4.00 pm	90.5	90.8

CURRENCY MOVEMENTS

Jan 27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.5	-20.7
U.S. Dollar	62.9	-16.9
Canadian Dollar	101.7	-0.2
Austrian Schilling	109.9	+12.2
Belgian Franc	111.7	-1.7
Danish Krone	109.1	+3.4
D-Mark	118.4	+25.4
Swiss Franc	108.5	+17.3
Dutch Guilder	114.5	+16.5
French Franc	103.1	-12.7
Lira	99.0	-19.7
Yen	145.6	+83.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.24

CURRENCY RATES

Jan 27	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.781617	0.711599
U.S. Dollar	3.50	1.39899	1.27234
Canadian $	7.33	1.63318	1.49029
Austrian Sch	7.50	15.8590	14.3749
Belgian Franc	8.50	46.3730	42.0699
Danish Krone	9.50	8.73389	7.91904
D-Mark	8.00	2.25377	2.04274
Dutch Guilder	8.50	2.53945	2.30039
French Franc	10¼	7.68636	6.95969
Italian Lira	12	1698.09	1534.70
Japanese Yen	4.50	173.685	158.788
Norway Krone	8	8.84302	8.01319
Spanish Peseta	-	142.532	128.813
Swedish Krona	10.00	8.19109	7.41964
Swiss Franc	7.00	2.00195	1.81436
Greek Drach	19	255.134	235.892
Irish Punt	-	N/A	0.766285

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.24

OTHER CURRENCIES

Jan 27	£	$
Argentina	1.7680 - 1.7710	0.9900 - 0.9910
Australia	2.4080 - 2.4100	1.3505 - 1.3515
Brazil	2248.75 - 2250.35	1259.10 - 1259.30
Finland	7.8085 - 7.8220	4.3770 - 4.3800
Greece	328.550 - 333.850	183.360 - 186.290
Hong Kong	13.8310 - 13.8440	7.7565 - 7.7585
Iran	2563.00*	1420.00*
Korea(Sth)	1362.45 - 1384.40	760.00 - 769.00
Kuwait	0.52145 - 0.52245	0.29180 - 0.29220
Luxembourg	59.00 - 59.10	33.20 - 33.30
Malaysia	4.7290 - 4.7370	2.6570 - 2.6590
Mexico	5493.20 - 5503.20	3069.00 - 3071.00
N Zealand	3.3155 - 3.3200	1.8580 - 1.8605
Saudi Ar.	6.6670 - 6.7440	3.7495 - 3.7505
Singapore	2.9105 - 2.9175	1.6330 - 1.6350
S Af (Cm)	4.9975 - 5.0090	2.8020 - 2.8035
S Af (Fn)	5.6925 - 5.7845	3.1900 - 3.2415
Taiwan	44.80 - 44.90	25.00 - 25.10
U.A.E.	6.5380 - 6.6050	3.6715 - 3.6735

*Floating rate. Iran Official rate £116.1 $67.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.813	-3.61	5.93	62
Belgian Franc	42.4032	42.0699	-0.79	2.92	37
Dutch Guilder	2.31643	2.30039	-0.69	2.82	33
D-Mark	2.05586	2.04274	-0.64	2.76	39
Italian Lira	1538.24	1534.70	-0.23	2.34	10
Irish Punt	0.767417	0.766285	-0.15	2.26	6
French Franc	6.89509	6.95969	0.94	1.16	-53
Danish Krone	7.84195	7.91904	0.98	1.11	-46
Sterling	0.696904	0.711599	2.11	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jan 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7750 - 1.7920	1.7760 - 1.7770	0.97-0.96cpm	6.52	2.78-2.75pm	6.23
Canada	2.0835 - 2.1010	2.0835 - 2.0845	0.65-0.61cpm	3.63	1.28-1.21pm	2.39
Netherlands	3.2250 - 3.2350	3.2250 - 3.2350	½-¼cpm	1.16	¾-⅝pm	0.93
Belgium	58.95 - 59.25	59.00 - 59.10	7-4cpm	1.12	18-9pm	0.91
Denmark	11.0675 - 11.1350	11.0675 - 11.0775	1-½orepm	0.81	2-⅞pm	0.52
Ireland	1.0765 - 1.0780	1.0770 - 1.0780	0.06dis-pardis	-0.33	0.13dis-pardis	-0.24
Germany	2.8650 - 2.8750	2.8700 - 2.8750	⅜-¼pfpm	1.31	¾-⅝pm	0.96
Portugal	246.15 - 247.50	246.50 - 247.50	98-119cdis	-5.27	219-292dis	-4.14
Spain	180.40 - 181.40	180.80 - 181.10	26-35cdis	-2.02	87-105dis	-2.12
Italy	2151.75 - 2158.75	2154.00 - 2155.00	1-3liredis	-1.11	5-8dis	-1.21
Norway	11.2300 - 11.2675	11.2500 - 11.2600	¾-parorepm	0.40	½-¼oredis	-0.13
France	9.7600 - 9.7875	9.7750 - 9.7850	¾-½cpm	0.69	1¼-⅞pm	0.43
Sweden	10.4050 - 10.4325	10.4200 - 10.4300	1¼-1⅞oredis	-1.87	4¼-5dis	-1.77
Japan	222.25 - 223.50	222.25 - 223.25	1-⅞ypm	5.05	3-2¼pm	5.16
Austria	20.15 - 20.21	20.15 - 20.18	2¼-1¼gropm	1.04	5¼-2¾pm	0.77
Switzerland	2.5475 - 2.5575	2.5475 - 2.5575	⅝-⅜cpm	3.23	1⅞-1¼pm	2.84
Ecu	1.4035 - 1.4075	1.4040 - 1.4050	0.05-0.01cpm	0.26	0.10-0.04pm	0.20

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.14cpm . 12 Month 9.28-9.18pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7750 - 1.7920	1.7760 - 1.7770	0.97-0.96cpm	6.52	2.78-2.75pm	6.23
Ireland†	1.6490 - 1.6650	1.6510 - 1.6520	0.89-0.84cpm	6.29	2.56-2.46pm	6.08
Canada	1.1685 - 1.1745	1.1730 - 1.1740	0.26-0.28cdis	-2.76	0.76-0.80dis	-2.66
Netherlands	1.8000 - 1.8225	1.8175 - 1.8185	0.80-0.83cdis	-5.38	2.39-2.43dis	-5.30
Belgium	32.95 - 33.30	33.20 - 33.30	14.00-15.00cdis	-5.23	42.00-46.00dis	-5.29
Denmark	6.2075 - 6.2400	6.2300 - 6.2350	2.85-3.15oredis	-5.78	8.60-9.20dis	-5.71
Germany	1.5975 - 1.6180	1.6160 - 1.6170	0.71-0.72pfdis	-5.31	2.13-2.15dis	-5.30
Portugal	138.30 - 138.55	138.35 - 138.45	132-142cdis	-11.88	355-380dis	-10.62
Spain	100.90 - 101.90	101.65 - 101.75	70-74cdis	-8.50	209-217dis	-8.38
Italy	1200.00 - 1213.25	1212.50 - 1213.00	7.60-7.90liredis	-7.67	22.20-23.50dis	-7.54
Norway	6.2750 - 6.3375	6.3325 - 6.3375	3.20-3.50oredis	-6.35	9.55-10.05dis	-6.19
France	5.4475 - 5.5125	5.5025 - 5.5075	2.64-2.69cdis	-5.81	7.90-8.00dis	-5.78
Sweden	5.8100 - 5.8750	5.8650 - 5.8700	3.90-4.15oredis	-8.23	11.45-11.90dis	-7.96
Japan	124.50 - 125.50	125.35 - 125.45	0.12-0.13ydis	-1.20	0.29-0.31dis	-0.96
Austria	11.2700 - 11.3275	11.3200 - 11.3250	4.50-6.50grodis	-5.83	14.00-18.00dis	-5.65
Switzerland	1.4200 - 1.4375	1.4365 - 1.4375	0.39-0.41cdis	-3.34	1.17-1.20dis	-3.30
Ecu	1.2630 - 1.2760	1.2630 - 1.2640	0.66-0.64cpm	6.17	1.95-1.89pm	6.08

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11¼ - 11	11 - 10⅞	10 13/16 - 10¾	10 13/16 - 10 11/16	10¾ - 10⅝	10⅝ - 10½
US Dollar	4¼ - 4	4⅛ - 4	4¼ - 4⅛	4¼ - 4⅛	4⅜ - 4¼	4⅞ - 4½
Can. Dollar	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6 15/16 - 6 13/16	7 - 6⅞	7⅛ - 6⅞
Dutch Guilder	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝
Swiss Franc	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½
D-Mark	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝
French Franc	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞	9⅞ - 9¾	9⅝ - 9½
Italian Lira	12 - 10	12¼ - 11¼	12 - 11½	11¾ - 11¼	11¾ - 11½	11⅞ - 11½
Belgian Franc	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½
Yen	5½ - 5⅜	5½ - 5⅜	5⅝ - 5½	5 5/16 - 5	4⅞ - 4 11/16	4⅞ - 4 11/16
Danish Krone	9⅞ - 9⅝	9⅞ - 9⅝	10 - 9⅞	10 1/16 - 9 15/16	9 15/16 - 9 13/16	9 15/16 - 9 13/16
Asian $Sing	3 - 2⅞	2¾ - 2⅝	2⅞ - 2¾	2 13/16 - 2 11/16	3 1/16 - 2 15/16	3⅝ - 3½

Long term Eurodollars: two years 5¼-5⅛ per cent; three years 6 1/16-6 15/16 per cent; four years 6 13/16-6 11/16 per cent; five years 7 1/16-6 15/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.27	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.776	2.872	222.7	9.780	2.552	3.230	2154	2.084	59.05	1.404
$	0.563	1	1.617	125.4	5.507	1.437	1.819	1213	1.173	33.25	0.791
DM	0.348	0.618	1	77.54	3.405	0.889	1.125	750.0	0.726	20.56	0.489
YEN	4.490	7.975	12.90	1000.	43.92	11.46	14.50	9672	9.358	265.2	6.304
F Fr.	1.022	1.816	2.937	227.7	10.	2.609	3.303	2202	2.131	60.38	1.436
S Fr.	0.392	0.696	1.125	87.26	3.832	1	1.266	844.0	0.817	23.14	0.550
N Fl.	0.310	0.550	0.889	68.95	3.028	0.790	1	666.9	0.645	18.28	0.435
Lira	0.464	0.825	1.333	103.4	4.540	1.185	1.500	1000.	0.968	27.41	0.652
C$	0.480	0.852	1.378	106.9	4.693	1.225	1.550	1034	1	28.33	0.674
B Fr.	1.693	3.008	4.864	377.1	16.56	4.322	5.470	3648	3.529	100.	2.378
Ecu	0.712	1.265	2.046	158.6	6.966	1.818	2.301	1534	1.484	42.06	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PARIS [illegible]

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Mar	89.92	89.97	89.91	89.95
Jun	90.46	90.47	90.44	90.43
Sep	90.99	91.00	90.99	90.96
Dec	91.28	91.27	91.24	91.20

Estimated volume 828 (552)
Previous day's open int. 7385 (7341)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Mar	92.56	92.61	92.53	92.53
Jun	92.86	92.91	92.85	92.82
Sep	93.14	93.18	93.12	93.11
Dec	93.31	93.34	93.29	93.28

Estimated volume 3164 (9634)
Previous day's open int. 28876 (28465)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Mar	2573.0	2580.0	2559.0	2587.0
Jun	2607.5			2591.0
Sep				

Estimated volume 5343 (9102)
Previous day's open int. 36539 (37062)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Mar	1160.0			1152.0
Jun				

Estimated volume 0 (0)
Previous day's open int. 137 (137)

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	-	-	-	-	0.16	-
107	-	-	-	-	0.28	-
108	0.90	-	-	0.33	0.49	-
109	0.36	1.62	-	0.77	0.83	-
110	0.11	1.00	-	-	1.26	-
111	0.03	0.61	-	-	-	-
112	-	0.36	-	-	-	-
113	-	0.20	-	-	-	-
Open Int	123,183	42,458	4,807	105,737	32,083	250

Estimated volume 16,718 Total Open Interest 308,518

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7765	1.7669	1.7489	1.7249	1.6842

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates steady

UK money market rates were steady yesterday, with sterling's stability on the foreign exchange markets continuing to dampen speculation about the need for higher interest rates, *writes Simon London.*

The Bank of England forecast a liquidity shortage of £1bn early in the session, revised up to £1.1bn. The main factor was maturing repurchase agreements, draining £674m from the market. Exchequer transactions, the main component of which is taxation payments, added a net £265m funds to the market.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

In spite of the substantial shortage, there was no clamour for funds and the Bank of England refrained from early assistance. Later in the morning, £265m was injected, through the outright purchase of band 1 bills at 10⅜ per cent and £177m paper purchased for resale to the market on February 12 and 13 at 10 7/16 per cent.

Afternoon assistance totalled £207m, again through the purchase of band 1 and band 2 bills, all at 10⅜ per cent, continuing the recent trend for relieving liquidity shortages with the very shortest maturity paper.

A late liquidity injection of £400m brought the total assistance for the day to £872m, around £228m less than the forecast drain of funds.

The unsecured overnight money rate rose from a shade over 11 per cent to 13 per cent by early afternoon. However, the late injection of funds removed any pressure for higher short rates and overnight money was trading at 11¼-11 per cent by the close.

Three months inter-bank funds traded at 10 13/16-⅝ per cent; one month inter-bank money was at 10 13/16-⅝ per cent, from 10¾-⅝ per cent on Friday.

The March short sterling contract on the London International Financial Futures Exchange was slightly stronger, closing at 89.74, from 89.69 on Friday.

In Frankfurt, call money rates were marginally higher at 9.50/60 per cent from 9.45/55 per cent at the end of last week and the 9.40/50 per cent level which prevailed for several days.

Pension payments are expected to drain funds from the market this week and the call money rate is expected to stay at between 9.55 and 9.65 per cent.

However, so far market conditions appear to be comfortable, following the Bundesbank's decision to raise rates on December 19.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.27) 3 months US dollars		6 months US Dollars	
bid 4¼	offer 4¼	bid 4¼	offer 4¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds			
Prime rate	6½	One month	4.16	Three year	5.60
Broker loan rate	6	Two month	3.80	Five year	6.43
Fed.funds	4	Three month	3.95	Seven year	6.90
Fed.funds at intervention	-	Six month	4.10	10-year	7.25
		One year	4.21	30-year	7.72
		Two year	5.17		

Jan.27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.45-9.55	9.40-9.50	9.40-9.50	9.40-9.50	9.30-9.40	9.75
Paris	10-10⅛	9⅞-10	9⅞-10	9 15/16-9 13/16	9 15/16-9 13/16	9.60
Zurich	6⅞-7⅛	7¼-7½	-	7¼-7½	-	-
Amsterdam	9.43-9.56	9.40-9.50	-	9.37-9.42	-	-
Tokyo	5⅝-5 15/16	5⅜-5¼	-	5-5 1/16	-	-
Milan	11¾-12¼	12 1/16-12 3/16	-	11 13/16-12⅛	-	-
Brussels	9⅜-9½	9⅜-9½	-	9⅜-9½	-	-
Dublin	10⅝-10 13/16	10⅝-10 13/16	10½-10¾	10¾-10½	10 7/16-10 11/16	-

LONDON MONEY RATES

Jan 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12½	11¼	10 13/16	10 13/16	10¾	10⅝
Interbank Bid	10¾	10⅜	10 11/16	10⅝	10⅝	10½
Sterling CDs	-	-	10 13/16	10 11/16	10⅝	10 7/16
Local Authority Deps.	11	11	10¾	10 11/16	10¾	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11½	10¾	-	-	-	-
Company Deposits	-	-	10⅞	10 13/16	10⅝	10⅝
Finance House Deposits	-	-	10⅞	10 13/16	10½	10 7/16
Treasury Bills (Buy)	-	-	10¼	9 15/16	9 15/16	-
Bank Bills (Buy)	-	-	10 7/32	10 1/32	9¾	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.12	4.12	4.18	4.52
SDR Linked Dep. Offer	-	-	6¼	6 11/16	6⅝	6 11/16
SDR Linked Dep. Bid	-	-	6½	6 9/16	6¼	6 7/16
ECU Linked Dep. Offer	-	-	10 7/16	10⅜	10 3/16	10
ECU Linked Dep. Bid	-	-	10⅜	10¼	10 1/16	9⅞

Treasury Bills (sell); one-month 10⅛ per cent; three months 9 15/16 per cent; Bank Bills (sell): one-month 10¼ per cent; three months 10 per cent; Treasury Bills; Average tender rate of discount 9.8993 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31 1991. Agreed rates for period Jan.25, 1992 to February 25, 1992, Scheme I: 11.80 p.c., Schemes II & III: 12.06 p.c. Reference rate for period Nov 30, 1991 to December 31, 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 , Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,758 Set by DANTE

ACROSS

1 Sort of picture that's a topic for debate? (6)
4 Edward, being in poor health, is unsuitable (8)
9 Address for delivery? (6)
10 Display skill in flying machines (8)
12 Bread counters? (8)
13 Dave in an about-face in US state (6)
15 The temptation of misrule (4)
16 Bad times for the valley (10)
19 Esteem I have for the individual (10)
20 Friends back strike (4)
23 Pet journal distributed about the first of May (6)
25 Ian, to her, may appear as a character lacking charisma (4-4)
27 Busy outside at start (8)
28 Riches gained by breaking the law (6)
29 Compelled to use violence in the end (8)
30 Possibly push to a conclusion (6)

DOWN

1 False claim about American show (7)
2 Values a rest and ruse being disturbed (9)
3 Blooming choir made a mess of a number (6)
5 Hard tack (4)
6 In line for a pay-rise (8)
7 A capital investment (5)
8 Possibly trade-in and leave a tracked vehicle (7)
11 Brutality involving cutlery? (7)
14 Stop before exhaustion (7)
17 One is well rid of it (3-6)
18 Roger says this works (8)
19 One way to recover some silver? (7)
21 He foresees a hold-up over the reform (7)
22 Washing-day queue (4,8)
24 Theme's proper order put up (5)
26 A spot of trouble over a pupil? (4)

Solution to Puzzle No.7,757

WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices January 27

MONTREAL

4:00 pm prices January 27

INDICES

NEW YORK

DOW JONES	Jan 27	Jan 24	Jan 23	Jan 22	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	3240.61	3232.78	3226.74	3255.81	3264.98 (17/1)	3172.41 (2/1)	3264.98 (17/1/92)	41.22 (2/7/32)
Home Bonds	99.43	99.52	99.44	99.38	99.61 (17/1)	98.96 (2/1)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1356.32	1362.29	1384.72	1407.14	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.45	214.07	213.51	215.20	225.59 (3/1)	211.82 (17/1)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 3267.44 (3264.31) Low 3216.23 (3203.71)

STANDARD AND POOR'S

	Jan 27	Jan 24	Jan 23	Jan 22	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	414.99	415.48	414.96	418.13	420.77 (15/1)	412.64 (21/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	492.51	492.86	492.01	496.18	499.27 (15/1)	490.04 (21/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.49	34.53	34.45	34.47	35.14 (15/1)	33.82 (21/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.94	229.72	228.89	230.19	231.85 (15/1)	227.64 (12/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	412.48	413.42	414.27	413.18	415.33 (20/1)	395.51 (2/1)	415.33 (20/1/92)	29.31 (9/12/72)
NASDAQ Composite	621.00	624.68	622.86	620.68	630.82 (15/1)	586.45 (2/1)	630.82 (15/1/92)	54.87 (31/10/72)

	Jan 24	Jan 17	Jan 10	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.83	2.89	3.88

	Jan 22	Jan 15	Jan 8	year ago (approx.)
S & P Industrial div. yield	2.53	2.52	2.54	3.30
S & P Indl. P/E ratio	25.60	25.76	25.51	16.03

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Unisys Corp	9,160,100	7⅛	- ⅛
Chrysler	2,978,200	15⅛	+ 1⅛
Am T & T	2,769,200	38⅛	+ 1⅛
Inerco	2,470,800	¼	- ½
Citicorp	2,428,300	15⅛	+ ⅜
Chemical Bank	2,351,100	28⅝	+ ⅞
RJR Nabisco	2,170,300	10⅛	.....
Gen Motors	2,117,600	34	+ 1¼
Glaxo	2,106,400	30⅞	- ¼
Boeing	1,836,600	54¼	+ 1⅛

TRADING ACTIVITY

† Volume Millions	Jan 27	Jan 24	Jan 23
New York SE	190.430	210.716	229.680
Amex	18.016	21.552	19.174
NASDAQ	(u)	240.935	274.368*
NYSE			
Issues Traded	2,185	2,194	2,199
Rises	884	909	790
Falls	835	797	939
Unchanged	466	488	470
New Highs	109	91	107
New Lows	8	4	6

CANADA

TORONTO	Jan 27	Jan 24	Jan 23	Jan 22	1992 HIGH	1992 LOW
Metals & Minerals	3162.15	3136.31	3139.99	3161.98	3238.87 (16/1)	2935.22 (2/1)
Composite	3628.50	3630.80	3624.53	3638.79	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1907.35	1908.90	1909.68	1920.92	1937.59 (16/1)	1856.55 (2/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. * Correction.

** Saturday January 25: Taiwan Weighted Price: 5298.99, Korea Comp Ex. 664.29
& Subject to official recalculation †Correction. ‡ Amended Jan15 403.72; Jan16 405.17.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000; JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 27 January 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shizuoka Bank ...	3.0m	1,300	-10	Furukawa ...	1.3m	657	-18
Nippon Steel ...	2.7m	350	-1	Toyo Ink ...	1.3m	760	-10
M'bishi Tst Bk ...	2.1m	1,440	-20	NKK ...	1.3m	320	-1
Clarion ...	1.8m	978	+3	Nippon Ch-con ..	1.2m	690	-20
Nippon Televsn ..	1.5m	18,000	+300	Osaka Gas ...	1.2m	550	-3

4:00 pm prices January 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¾	12¾	AAR Corp x	0.48	3.4	15	195	14⅛	14	14	+⅛
26	22½	A L Labs A	0.16	0.7	26	134	24	23⅝	23⅞	+⅛
68¾	58¼	AMP Inc x	1.52	2.3	26	2564	65⅝	64¼	64⅞	-½
75½	68¾	AMR				243464	71¼	69¾	70⅝	+⅝
2	1⅛	ARX			2	433	u2⅛	2	2	
52¾	48¼	ASA	3.00	5.7	15	522	52¼	51⅞	52¼	+⅝
68½	61	Abbott Lab	1.00	1.6	24	3194	63⅝	62	62¼	-1½
13¼	12¼	Abitibi Pr	0.50	3.8	17	2	12⅞	12⅞	13	+⅛
11⅝	11¼	ACM Gvt In	1.28	11.0		306	11½	11⅜	11½	+⅛
10⅞	9½	ACM GvOpp	1.01	10.0		181	10⅛	10	10⅛	
9½	9	ACM Gvt Sp	0.17	1.8		123	9⅜	9¼	9¼	-⅛
11¼	10⅝	ACM Gvt Se x	1.28	11.4		693	11	10⅞	11	-⅛
9¼	8⅞	ACM Man	0.47	5.1		186	u9¼	9⅛	9¼	
12⅞	12⅝	ACM Managd	1.35	10.6		201	12¾	d12⅝	12¾	+⅛
9⅝	7	Acme Clnc r	0.40	4.4	17	122	9¼	9	9⅛	+⅛
5⅛	4⅝	Acme Elect			3	78	u5⅛	5	5⅛	+⅛
33¼	30¼	Acuson			19	560	31⅛	d30	30¼	-⅞
19⅜	18⅝	Adams Exp x	0.48	2.6	0	224	18⅞	d18⅝	18⅝	-⅛
15¼	13	Adobe12Pf	2.40	16.3		2	14¾	14¾	14¾	
5⅜	4½	Adobe Res			52	63	u5⅜	5¼	5¼	-⅛
48⅛	42¼	Ad Micro				243	u48½	48	48	+¼
21½	17⅞	Ad Micro P	3.00	14.4		1311150	u21¼	20⅞	20⅞	+⅛
7	5	Advest Grp	0.16	2.5	9	111	6⅝	6⅜	6½	
45⅝	42⅝	Aetna Lf x	2.76	6.1		92000	45½	45¼	45⅜	+⅛
10⅜	8⅞	Aff A x	0.24	2.3		951740	u10½	10	10½	+½
32⅞	29½	Aflac				281	30⅝	29⅞	29⅞	-⅝
17⅝	16⅝	Ahmanson	0.88	5.1		111441	17½	17	17⅜	+⅛
18⅞	17½	Alleen Inc			18	730	u21½	19⅜	20⅞	+1⅜
83¾	72⅞	Air Pr Chm	1.56	2.0	17	1025	80¾	79¾	80	-⅞
28⅜	23¾	Airbne Frt	0.30	1.1	19	542	27	26¾	26⅞	-½
24⅞	22⅝	Airgas Inc			110	28	23⅛	23	23⅛	
11¼	8⅛	Airlease	1.68	15.1	6	35	11⅛	10⅞	11⅛	+⅛
102½	99½	AlaPw8 16	8.16	8.0		z100	u102½	102½	101½	
25⅛	21⅞	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
106	104	AlaPw9.44	9.44	9.0		2	105	104¼	104¼	
108	102⅜	Alab Pw 11				2	104	104	104	
104	102½	Alab Pw 9P	9.00	8.7		z100	103½	103	103	-½
105	100¼	Alab 8.28C	8.28	8.0		z100	103	103	103½	

1992 High	1992 Low	Stock	Div.	Yld. %
22½	19⅞	Bearings	0.84	2.9
20⅞	18	Beckman In	0.28	1.4
71	64⅜	Becton Dks	1.20	1.7
27¼	25⅞	Belding Hy	0.64	2.4
46⅞	45¼	Bell Atlan	2.52	5.4
11⅞	10⅞	Bell Indus x	0.40	3.7
52½	49½	BellSouth	2.76	6.5
37⅝	30⅝	Belo AH A	0.52	1.4
44	39½	Bemis	0.84	1.9
53	51¾	Benef 4 3P	4.30	8.1
67¼	60½	Benef	2.60	4.0
20¼	18¼	Benetton A	0.29	1.3
	¼	Benguet B		
8950	8575	Berksh Hwy		
20¼	18¼	Berlitz	0.68	2.9
13¼	10¾	Berry Petr	0.60	4.7
25	15¾	Best Buy		
28	24⅞	Beth St 2.	2.50	9.8
51⅞	47¾	Bethlhm Pf	5.00	10.0
17¼	12¾	Bethlhm St	0.40	2.6
9⅜	8⅜	Beverly En		
20⅝	16	Biocraft	0.10	0.5
25⅞	21⅞	Birmingm S	0.50	1.9
20¾	16½	Black & D	0.40	1.9
42⅝	38⅝	Black H PL	1.76	4.6
11⅜	11	BlkstnAdv	0.98	8.8
11	10½	Blackst In	0.61	5.7
11⅛	10⅞	Blackst Tr	0.95	8.7
41¼	35⅜	Block H&R	0.68	2.3
14¼	11⅞	Blockbustr	1.16	8.4
8⅛	7⅝	Blue Chip	0.78	9.6
9⅞	7⅜	BMC Ind		
53⅛	46⅜	Boeing x	1.00	1.8
34⅛	20⅞	Boise Casc	0.60	2.6
6¼	4⅞	Bolt B & N x	0.06	1.0
17	13¾	Bordn Ch x	2.08	13.0
17½	14⅛	Bordn Ch U r	2.08	12.2
34⅞	32	Borden Inc	1.14	3.4

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11⅛	10¾	Royce Val	1.22	11.0		620	u11⅛	11	11⅛	
9⅛	8⅝	TCW Conv S	0.84	9.6						
37⅞	31⅛	TDK Corp A	0.32	0.9						
8¼	8⅞	T I S Mtge	1.34	16.2						
16⅛	15⅝	TJX Cos x	0.46	2.7						
21⅛	19	TNP Enterp	1.60	8.0						
45⅞	41	TRW Inc x	1.80	4.2						

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1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅛	17½	S Anita Rl	1.36	6.9	17	85	20⅛	19⅝	19¾	-⅛
17¼	16¼	SCOR US Cp	0.24	1.4	9	10	17	17	17	
29⅞	24⅞	SPS Techno	1.28	4.4	22	88	29	28⅝	28⅞	
13	12⅛	Sabine Rlt	1.36	10.7	7	23	12⅝	12½	12⅝	-⅛
11⅞	9⅝	Safecard x	0.15	1.3	10	86	11⅝	11⅛	11⅝	-⅛
78⅛	66½	St Paul's	2.60	3.6	8	455	73¼	71¾	73	+1⅞
14⅛	13⅝	Salomon Br	1.61	11.6		393	14	13⅞	14	
43⅛	42⅞	SanDgo G&E	2.80	6.6	12	166	43⅝	43⅛	43⅛	
38⅞	33½	SantaFePac x	2.75	8.0	11	45	35	34⅛	34⅛	-1⅛

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1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
53¼	50½	Xerox4.125				z100	u53⅜	53⅛	53¼	
25¾	24⅞	Xtra 1.94				42	25¼	25	25	-⅛
31	28½	Xtra Corp	0.72	2.4	15	48	30⅞	30¼	30¼	
27	25¼	Yankee Egy	1.60	6.1	13	47	26½	26⅛	26¼	-¼
	½	Zapata			81	159	⅞			
9⅛	7¼	ZenithElec				33771	u9⅞	9¼	9½	+⅞
16⅞	16	Zenith Nat x	1.00	6.2	133	8	15¾	d15¾	16	
6⅝	6	Zenix Inc x	0.84	12.7		16	u6⅝	6½	6⅝	+⅛
12¼	11⅛	Zero Corp	0.40	3.5	15	850	11⅞	11½	11½	-⅛
38	36½	Zurn Ind	0.88	2.4	16	1142	37½	37⅛	37¼	-¼
14⅛	13½	Zweig Fund	1.16	8.4		180	13⅞	13⅝	13¾	-⅛
11	10⅝	Zweig Totl	0.96	8.9		879	10¾	d10⅝	10¾	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

4:00 pm prices January 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oriel Corp	0.14	8	1231	7⅞	7⅝	7¾	
Pall Corp x	0.36	33	209	30⅞	30⅝	30¾	+¼
Pegasus G	0.10	6	90	13⅞	13¾	13¾	
Perini		8	26	13⅞	13¼	13⅞	+⅛
Pet HR&P	0.31	8	36	12	12	12	+⅛
Phil LD	0.18	14	964	35⅛	d32⅞	33⅞	-1⅝
Xytronix		23	424	18⅛	16⅞	17½	-1½

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NASDAQ NATIONAL MARKET

4:00 pm prices January 27

[illegible]

FINANCIAL TIMES

Tuesday January 28 1992

AMERICA

Dow subdued ahead of State of Union address

Wall Street

SHARE prices were becalmed in light trading yesterday, as investors remained on the sidelines ahead of today's important State of the Union address to Congress by President George Bush, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 7.83 at 3,240.61, having spent the day only a few points above Friday's close. The more broadly based Standard & Poor's 500 ended a slight 0.50 down at 414.98, while the Nasdaq composite of over-the-counter stocks lost 3.68 to 621.00.

Turnover on the New York SE amounted to 191m shares, while rises and falls were almost evenly matched.

After last week's declines, the market opened in a subdued mood yesterday. All eyes were fixed on the US president's State of the Union speech, scheduled for 8pm New York time this evening.

Mr Bush is expected to unveil a package of tax cuts aimed at stimulating the sluggish economy. Although tax cuts should be generally positive for the stock markets, there is concern that any measures would lead to a widening in the budget deficit, which could prompt a sharp rise in bond yields.

Diversified securities house Merrill Lynch shed $2½ to $61¼ in spite of record full-year earnings of $696m, achieved with the help of a $171m fourth-quarter profit.

The record figures had been expected in the wake of buoyant securities markets in the final quarter, and the decline in the price yesterday was put down to profit-taking following the stock's strong performance over the past 52 weeks.

L.A. Gear slipped $¾ to $15½ after the company formally announced the retirement of Mr Robert Greenberg, its founder, from the posts of chairman and chief executive. The sports-shoe maker will unveil a new marketing campaign this week. Of its rivals, Nike eased $⅛ to $72⅛ and Reebok International also lost $⅛, to $30⅛.

Chrysler enjoyed a rare gain, advancing $1⅛ to $15 on the back of a reported upgrading from Shearson Lehman, the broking house. The remaining members of the Big Three car manufacturers also firmed, with General Motors adding $1⅜ at $34⅛ and Ford rising $¼ to $32¾.

On the over-the-counter market, Hutchinson Technology climbed $1¼ to $24¾ after reporting net income of 54 cents a share for the first fiscal quarter, well up on the 35 cents a share earned at the same stage a year ago.

Going the other way on the earnings front was Arkansas Freightways, which tumbled $3¼ to $32½ on news of a fourth-quarter profit of 20 cents a share, down from the 33 cents earned a year earlier.

Canada

TORONTO stocks, after a firm opening, fell back to close with an easier bias on balance after moderate trading.

The composite index was finally 2.2 off at 3,628.5, while declining issues led advances by 308 to 267. Volume decreased to 23.3m shares from Friday's 28m.

The index was ahead almost 15 points in the first half-hour of trading, but quickly settled back and then traded in a narrow range for the rest of the day.

Du Pont Canada "A" dipped C$⅛ to C$41¼. The company reported fourth-quarter earnings of C$14.3m, or 46 cents a share, up from C$10.3m, or 33 cents, a year earlier.

SOUTH AFRICA

JOHANNESBURG closed narrowly mixed in dull trading. The all-gold index closed up 15 at 1,273, as world bullion prices held steady: Southvaal gained R1.50 to R72.50. The industrial index shed 8 to 4,428, while the all-share index eased 3 to 3,623.

EUROPE

Bourses move up as Volvo's strategy comes under fire

MARKETMAKERS saw buying from domestic sources as bourses, by and large, improved yesterday, *writes Our Markets Staff.*

FRANKFURT broadened its switch to cyclical stocks as opinion spread that a steel strike need not necessarily be bad for the industry, or for the German economy.

Goldman Sachs yesterday decided to move German equities from underweight to market weight, advancing four reasons:

- valuation, given the rally in German bonds and the underperformance of its equity market last year;
- the probability that the Bundesbank will lower interest rates this year;
- its expectation of GNP growth, and inflation, of 2.5 per cent and about 3 per cent respectively in 1993; and
- "distinct signs" of improvement in the east.

Chemicals, steels and engineers did well as the FAZ index rose 6.67 to 684.20 at midsession, and the DAX closed 18.81 higher at 1,688.58, close to the top of its 1992 trading range. Volume was thought to have risen from Friday's DM5bn.

In carmakers, Volkswagen jumped DM11 to DM333.50 after an MM Warburg recommendation. VW is up 16 per cent from this year's low.

PARIS opened the February account in optimistic mood but turnover was disappointing at FFr1.85bn after Friday's FFr2.2bn. The CAC 40 index rose 19.35 to 1,869.27.

Euro Disney was the day's most active stock as it rose FFr4.80 to FFr146.50 on a favourable interview with a senior company official by a US news agency.

Eurotunnel was one of the day's biggest gainers as it picked up FFr2.85 or 6.6 per cent to FFr46 on the back of the "easy money" argument and buy recommendations from Paribas and French financial newspapers. The UK broker Charterhouse has recommended a switch out of P & O and into Eurotunnel.

Profit-taking wiped FFr16 off the oil refiner Total to FFr1,047 in spite of a pleasing 41 per cent rise in 1991 net attributable profit.

MILAN traded quietly ahead of Fiat's preliminary 1991 results which are due this afternoon. The Comit index fell 1.42 to 547.68 in turnover estimated at slightly below Friday's L102bn.

Analysts said the market had already discounted disappointing figures from Fiat and was instead waiting for the company's view on 1992, which some expected to be on the cautious side. The stock eased L25 to L5,170.

In the insurance sector, Generali added L10 to L31,210 while Ras rose L55 to L21,600. In a report on the non-life insurers issued late last week, Nomura advised selective profit-taking because in its view, the sector is due for a period of underperformance.

Among smaller stocks trading in ABB Tecnomasio, the mechanical engineering group, was delayed because of an order imbalance following news that its parent company was buying in the outstanding 9.23 per cent at L3,100 a share. The share later jumped L528 or 21 per cent to L3,043.

OSLO recovered a little, the all-share index gaining 9.38 at 453.00. Norsk Hydro rose NKr5.5 to NKr151. Higher prices for North Sea oil pushed Saga Petroleum free shares up NKr6.5 to NKr97.5. **HELSINKI** rose 1.66 per cent on strong demand for industrials, the Hex index adding 14.3 at 873.9 in turnover of FM30.1m.

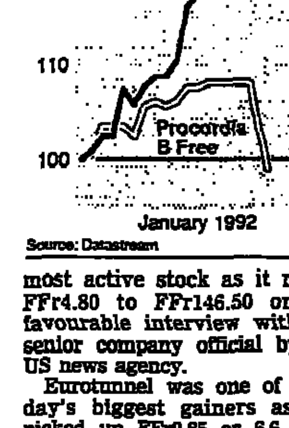
AMSTERDAM remained quiet, the CBS Tendency adding just 0.7 to 121.4. Turnover was thin. There was increased demand for cyclicals, such as the chemical groups, DSM and Akzo: DSM gained Fl 1.60 to Fl 105.30 and Akzo Fl 1.20 to Fl 138.80. The announcement of appointments to Nedlloyd's supervisory board, expected today, was being awaited, analysts said.

MADRID's general index rose 2.25 to 258.41 with interest in both Endesa and Repsol stocks. Endesa put on Pta115 to Pta3,215 and Repsol rose Pta30 to Pta2,975. Telefonica fell Pta10 to Pta1,180 on news that its dividend would remain unchanged.

ISTANBUL rose 1.8 per cent on active buying following the favourable results from the Social Democrat Populist Party's weekend congress. The 75-share index gained 90.68 to 5,112.74.

STOCKHOLM decided that there was scant logic in the proposed merger between Volvo and Procordia. The Swedish Shareholders Association, which represents 80,000 private investors, said the proposal was "probably a bad deal for shareholders in both companies".

Volvo free Bs initially rose SKr27 to SKr420 but closed only SKr5 up at SKr398, while Procordia free Bs fell SKr14 to SKr198. The Affärsvärlden General index rose 2.60 to 987.30 in turnover of SKr611m after SKr632m.



Source: Datastream

FT-SE Eurotrack 100 - Jan 27							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1138.33	1138.66	1141.98	1141.84	1141.44	1142.41	1143.05	1142.52
Day's High 1143.34				Day's Low 1137.97			
Jan 24	Jan 23	Jan 22	Jan 21	Jan 20			
1131.86	1131.98	1134.07	1136.99	1135.91			

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei retreats in thin trading as G7 fails to excite

Tokyo

SHARE PRICES retreated in thin trading yesterday, as volume on the first section fell to 137m shares due to the lack of fresh news, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 65.04 to 21,007.11 after a day's high of 21,078.87 and low of 20,859.61. The index fell below 21,000 just before the morning close on light selling.

Trading volume reached its lowest level since December 9. Declines led advances by 604 to 322 with 195 issues unchanged. A total of 100 stocks fell to their lowest levels since the beginning of last year. The Topix index of all first section shares shed 10.39 to 1,574.47, but in London the ISE/Nikkei 50 index edged up 0.89 to 1,210.93.

Market participants, hoping that the outcome of the Group of Seven finance ministers' meeting would fuel trading, were disappointed. "Investors will neither buy nor sell at current levels," said one trader.

However, some analysts see the current low volumes as a positive signal for the market. Mr Craig Chudler at UBS Phillips & Drew said: "The inactivity reflects a stall in fund flows, indicating that money has stopped leaving the market." In the week ending January 17 individuals and corporate investors, who have been net sellers of equity during the past year, became net buyers.

Foreign investors, who were aggressive buyers last year, are also expected to commit further funds into Japanese stocks. "Foreigners' asset weightings in Japanese stocks are still light," said Mr Paul Muller at Schroder Securities.

Nippon Telegraph and Telephone declined Y13,000 to an all-time low of Y682,000. Some investors have been discouraged by reports of cuts in long distance telephone rates. Market participants are also worried about an over-supply of shares, as the Ministry of Finance has included proceeds from the sale of 500,000 shares for the year ending March 1993 into the fiscal budget.

International blue chips, firm on foreign interest last week, lost ground on light profit-taking. TDK retreated Y200 to Y4,450 and NEC Y10 to Y1,150. However, some bargain hunting lifted Fujitsu Y3 to Y790 and Sony Y40 to Y4,240.

Kirin Brewery rose Y10 to Y1,280. The company expects earnings for the current year to reach Y85bn thanks to rising beer sales.

In Osaka, the OSE average ended 122.48 down at 22,502.91 in volume of 41.4m shares. Machineries and high-technology issues declined, while some domestic demand-related issues held firm.

Roundup

PROFIT taking in Hong Kong was the outstanding feature in the region yesterday. Australia was closed for a holiday.

HONG KONG saw profits taken again, the Hang Seng index losing 45.35 to 4,554.73 in turnover down from HK$3.02bn to a still-active HK$2.05bn. Utilities suffered the session's biggest falls, followed by banks.

Some fund managers were keen to realise profits before next week's Chinese New Year holiday, which will close the market for three days. Volume was diminished by nervousness ahead of the State of the Union address tonight by President George Bush.

SEOUL ended higher on renewed expectations of improved relations between North and South Korea. The composite index gained 10.82 to 675.11 in turnover of Won537.9bn, after Won541.1bn.

Reports that North Korean leaders had agreed to set up joint ventures with South Korean companies boosted construction and trade-related issues. Hyundai Engineering & Construction, the nation's largest construction company, advanced by its upper limit of Won800 to Won15,800.

NEW ZEALAND saw some block trades, but trading was depleted by holidays in Auckland and in Australia, where most local blue-chip issues are also listed. The NZSE-40 index improved 5.68 to 1,487.62 after a fall of 1.6 per cent last week. Turnover increased from Friday's NZ$20.8m to NZ$24.7m.

White goods manufacturer Fisher and Paykel topped the actives list with 2.3m shares traded and closed steady at NZ$2.10 after London-based fund manager Morgan Stanley Asset Management said it had raised its stake in F & P from 17.4 to to 19.4 per cent.

SINGAPORE closed mixed in quiet trading. The Straits Times Industrial index put on 3.60 to 1,545.92 in thin turnover of S$114.1m (S$127.2m). Trading in **KUALA LUMPUR** was also dull, the composite index rising 1.77 to 570.55 in turnover of M$66.7m (M$75.5m).

MANILA extended its recent downward correction, the composite index sliding 10.48 to 1,268.20 as profit-takers reacted to President Corazon Aquino's endorsement of Mr Fidel Ramos, her former defence secretary, as a candidate to succeed her in the May presidential elections. Combined turnover on Manila's two bourses was down from 187.8m pesos to 150.4m pesos.

TAIWAN focused on small companies as the weighted index climbed 42.50 to 5,341.49, after a rise of 55.39 on Saturday. Turnover expanded from T$55.6bn to T$60.5bn. Observers said the index was boosted mainly by strength in cements and financials, most of which have been lagging.

BANGKOK suffered its biggest one-day loss in two months on heavy profit-taking in finance and property issues. The SET index finished 9.70 off at 771.93 after turnover of Bt8.17bn.

BOMBAY rose on speculative buying, the BSE index ending 32.78 ahead at 2,172.11 after a day's high of 2,181.35.

China factor behind Hong Kong's rally

MARKETS IN PERSPECTIVE	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-0.43	+5.61	-0.75	+5.82	+3.25	-0.36
Belgium	-0.02	+5.09	+17.89	+4.59	+2.80	-0.80
Denmark	-0.39	+4.06	+20.84	+3.64	+2.96	-0.65
Finland	-3.28	+21.15	+8.64	+14.90	+12.25	+8.31
France	-0.34	+7.34	+21.11	+4.81	+3.99	+0.35
Germany	-0.29	+6.54	+15.20	+6.02	+4.99	+1.31
Ireland	-2.69	+7.60	+27.91	+5.08	+4.74	+1.07
Italy	+0.16	+12.30	+13.72	+9.70	+9.26	+5.44
Netherlands	+0.03	+6.19	+24.14	+5.74	+4.77	+1.10
Norway	-5.85	+8.14	+3.91	+7.14	+6.14	+2.42
Spain	-0.66	+6.54	+15.95	+2.92	+2.73	-0.87
Sweden	+0.18	+8.40	+15.77	+7.75	+7.07	+3.33
Switzerland	+0.53	+6.80	+27.04	+5.88	+5.67	+1.96
UK	-1.14	+4.00	+19.65	+1.04	+1.04	-2.49
EUROPE	-0.60	+5.84	+18.99	+3.72	+3.27	-0.35
Australia	-3.82	+0.98	+26.24	-2.92	-2.16	-5.58
Hong Kong	+3.56	+9.63	+49.61	+7.78	+11.97	+8.05
Japan	-0.86	-5.34	-7.30	-7.72	-3.08	-6.47
Malaysia	+0.02	+3.39	+11.44	+2.47	+8.46	+4.66
New Zealand	-1.83	-0.09	+18.88	-2.36	+1.26	-2.28
Singapore	+0.03	+5.62	+33.28	+4.39	+7.02	+3.28
Canada	-0.26	+5.55	+10.79	+3.64	+6.39	+2.66
USA	-0.77	+2.22	+25.08	-0.25	+3.36	-0.25
Mexico	+1.29	+13.46	+187.28	+10.48	+13.16	+9.20
South Africa	-2.36	+5.77	+42.39	+5.26	+6.67	+2.93
WORLD INDEX	-0.74	+1.02	+13.01	-1.32	+1.58	-2.00

† Based on January 24th 1992.

By John Pitt

The 'China factor' gave momentum to Hong Kong's record-breaking advance last week, on reports, later denied by the Chinese authorities, that charges against the former Chinese premier Zhao Ziyang had been dropped.

Investors pulled back on Friday and, indeed, again yesterday, but this profit-taking was still perceived to reflect a general rally ahead of the Chinese New Year next Tuesday.

Mr David Bates of Asia Equity comments that the China factor was very strong, backed by news from the mainland that China was looking to speed up reforms with further economic liberalisation to promote growth. This was particularly welcomed by the market since most of China's exports go through the colony.

However, further profit-taking was expected to be in evidence this week as money is taken out of the market prior to the new year celebrations, during which factories will close for a two-week holiday.

Australia recorded the largest fall on the Pacific Rim, with the bond market particularly sensitive to concern that interest rates might not continue to come down.

The markets are also nervous about the fiscal package which the Keating government is due to unveil in late February or early in March. Australian interest rates remain high, although some analysts feel that they could come back. Quarterly inflation figures are due to be published tomorrow.

Europe remained generally flat. The biggest changes were seen in Norway and Finland which reversed the strength of the week before as they recorded falls of 5.9 and 3.3 per cent respectively.

Norway was hit by news that Norsk Hydro, which accounts for 22 per cent of Oslo's equity market capitalisation, was taking a special charge in the fourth quarter.

Analysts note that Finland has started to drift back after the new year spree of bargain hunting, and that investors are beginning to focus on preliminary results which will start to come out in March.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 27 1992								FRIDAY JANUARY 24 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	142.64	+0.1	119.04	113.07	119.68	128.17	+0.0	4.31	142.43	118.95	111.01	117.55	128.17	160.31	112.74	122.30
Austria (20)	167.15	+0.7	139.50	132.50	140.48	139.75	+0.6	2.06	165.93	138.25	129.33	136.95	138.85	222.37	153.86	180.37
Belgium (46)	141.66	−1.1	118.22	112.28	119.05	116.16	−0.2	5.07	143.19	117.58	111.59	118.18	116.35	151.20	118.04	131.13
Canada (115)	139.11	−0.6	116.09	110.26	116.90	118.20	−0.1	3.13	139.92	114.90	109.05	115.47	118.29	144.26	126.49	127.49
Denmark (37)	262.73	−1.0	219.26	208.26	220.80	222.71	+0.1	1.61	265.42	217.95	206.87	219.06	222.46	273.94	217.74	238.59
Finland (15)	85.51	+1.2	71.36	67.78	71.86	78.57	+1.0	3.10	84.50	69.39	65.86	69.74	77.80	125.15	73.32	95.48
France (109)	148.81	−0.8	125.03	118.75	125.90	129.37	+0.9	3.43	150.97	123.97	117.66	124.59	128.18	152.48	119.11	134.50
Germany (65)	117.99	−0.7	98.47	93.54	99.16	99.16	+1.1	2.32	118.87	97.61	92.66	98.10	98.10	125.35	94.15	109.90
Hong Kong (55)	188.91	−0.9	157.66	149.74	158.77	188.15	−0.9	4.03	190.56	156.48	148.52	157.28	189.84	191.57	119.62	129.04
Ireland (18)	167.87	−1.0	140.10	133.07	141.08	143.23	+0.7	3.56	169.60	139.27	132.19	139.98	142.16	182.46	132.88	138.57
Italy (77)	78.09	−1.8	65.17	61.89	65.62	70.72	−0.3	3.26	79.49	65.27	61.95	65.60	70.94	88.23	64.76	74.32
Japan (473)	124.01	−2.4	103.49	98.30	104.23	98.30	−0.7	0.86	127.03	104.31	99.00	104.85	99.00	146.97	118.23	129.21
Malaysia (68)	224.38	+0.1	187.26	177.85	188.57	229.69	−0.1	2.86	224.16	184.07	174.70	185.00	229.99	247.78	189.18	201.79
Mexico (18)	1526.97	+0.5	1274.34	1210.39	1283.29	5125.38	+0.3	1.02	1519.20	1247.49	1184.06	1253.85	5110.19	1526.97	534.45	557.82
Netherland (31)	152.24	−1.4	127.05	120.68	127.95	126.32	+0.3	4.28	154.36	126.75	120.31	127.40	125.93	156.74	125.70	134.81
New Zealand (14)	45.94	+0.1	38.34	36.42	38.61	45.36	+0.6	6.06	45.91	37.70	35.78	37.89	45.08	54.64	41.18	43.17
Norway (25)	184.34	+0.7	153.84	146.13	154.93	158.51	+2.2	1.64	183.12	150.37	142.72	151.14	155.09	223.24	157.08	187.38
Singapore (38)	228.43	+0.7	190.64	181.08	191.98	172.01	+0.5	2.03	226.88	186.30	176.83	187.25	171.20	228.43	151.63	168.61
South Africa (61)	258.19	+0.8	215.47	204.65	216.98	181.47	−0.3	2.73	256.20	210.38	199.68	211.45	182.09	271.99	173.00	174.07
Spain (52)	154.10	−0.6	128.60	122.15	129.50	118.73	+0.7	4.66	155.05	127.32	120.85	127.97	117.93	171.12	131.51	146.14
Sweden (25)	185.58	−0.9	154.88	147.11	155.97	161.20	+0.7	2.77	187.17	153.69	145.88	154.48	160.15	204.12	146.60	174.80
Switzerland (58)	101.01	−1.3	84.30	80.07	84.90	89.99	+0.8	2.22	102.34	84.04	79.77	84.48	89.27	103.50	82.17	91.45
United Kingdom (234)	179.93	−0.4	150.16	142.61	151.20	150.16	+1.2	4.95	180.71	148.39	140.83	149.13	148.39	187.44	158.27	165.75
USA (523)	169.22	−0.1	141.23	134.15	142.23	169.22	−0.1	2.88	169.45	139.14	132.07	139.86	169.45	171.66	125.95	136.01
Europe (813)	146.08	−0.7	121.91	115.80	122.78	122.91	+0.9	3.92	147.18	120.86	114.71	121.48	121.83	151.52	125.50	134.60
Nordic (102)	185.15	−0.7	154.52	146.77	155.60	153.30	+0.6	2.11	186.46	153.11	145.33	153.89	152.41	200.81	156.55	173.55
Pacific Basin (717)	126.54	−2.1	105.60	100.30	106.34	101.79	−0.7	1.20	129.30	106.18	100.78	106.72	102.47	145.92	117.86	128.59
Euro–Pacific (1530)	134.64	−1.5	112.36	106.72	113.15	110.90	+0.0	2.37	136.75	112.29	106.57	112.86	110.90	147.66	121.29	131.38
North America (638)	167.30	−0.2	139.62	132.63	140.62	165.76	−0.1	2.90	167.56	137.59	130.61	138.31	165.97	169.69	125.91	135.41
Europe Ex. UK (579)	125.48	−1.0	104.72	99.49	105.48	107.05	+0.7	3.17	126.71	104.05	98.78	104.60	106.35	129.80	103.58	115.58
Pacific Ex. Japan (244)	151.49	−0.2	126.43	120.10	127.33	136.95	−0.3	3.90	151.76	124.61	118.30	125.26	137.32	153.49	111.40	120.49
World Ex. US (1724)	137.02	−1.4	114.35	108.62	115.16	113.12	+0.0	2.39	139.02	114.16	108.36	114.74	113.13	148.16	122.32	131.92
World Ex. UK (2013)	143.69	−1.0	119.92	113.91	120.77	128.41	−0.2	2.31	145.14	119.18	113.13	119.80	128.66	150.58	120.06	129.01
World Ex. So. Af. (2186)	146.11	−1.0	121.94	115.83	122.81	130.01	−0.1	2.58	147.53	121.14	114.99	121.77	130.07	153.05	122.92	132.02
World Ex. Japan (1774)	160.30	−0.3	133.78	127.07	134.74	148.82	+0.2	3.28	160.84	132.07	125.37	132.77	148.49	161.90	126.69	135.17
The World Index (2247)	146.85	−0.9	122.56	116.41	123.42	130.47	−0.1	2.68	148.24	121.73	115.54	122.36	130.54	153.70	123.28	132.27

Australian market closed January 27.

FT LAW REPORTS

Acceptance of letter of credit completes oil rig transfer

DAVY OFFSHORE LTD v EMERALD FIELD CONTRACTING LTD
Queen's Bench Division (Commercial Court):
Mr Justice Hobhouse:
January 21 1992

TITLE TO North Sea oil equipment transferred under a supply contract which provides for completion on payment by letter of credit, passes when the credit is drawn on the accepting bank on tender of contractually specified documents, irrespective of any time lapse between draw-down and actual delivery of cash.

Mr Justice Hobhouse so held when giving judgment for the plaintiff supplier, Davy Offshore Ltd, on its claim against Emerald Field Contracting Ltd under a sub-contract for the supply of oil field equipment.

HIS LORDSHIP said that Emerald was a contractor under agreements to supply equipment and services to licensees of the right to explore and extract oil from the Emerald Oil Field in the North Sea.

In order to fulfil its contractual obligations it entered into a supply contract dated November 30 1988 with Davy Offshore.

Davy agreed to supply Emerald with a floating production facility and single point mooring system (FPF).

The overall structure of the contract provided for phases of the work and the provision of certificates. At the completion certificate stage the FPF would be towed to the field and handed over to Emerald.

Originally completion was to be August 5 1990 but work was delayed and would not be finished until summer 1992.

Clause 18.1(a) of the contract provided that title to the work and facilities should be transferred to Emerald "immediately upon completion and payment of the amount due ... at completion as referred to in clause 17.2".

By clause 18.1(b) Davy warranted that at time of transfer and vesting of title, the work and facilities would be free of all mortgages, liens or other encumbrances; and by 18.1(c) it agreed that at time of transfer it would deliver to Emerald a duly executed bill of sale in British form (statutory form 10A) in respect of the FPF, reflecting the warranty.

The contract and the form therefore contemplated that by the time of transfer of title, consideration for transfer would have been paid, and all mortgages and other charges would have been paid off.

Clause 17.2 provided that on completion Emerald should pay Davy 95 per cent of the contract price, the 5 per cent balance to be paid three months and five banking days after completion.

Clause 17.5 of the contract provided that Emerald's obligation to pay under clause 17.2 might be satisfied by Davey drawing under a letter of credit.

Accordingly, for the purposes of clauses 17.2 and 18.1, the moment of payment was when the bank accepted documents tendered.

Under the letter of credit, Davy would not receive the money until five business days after the relevant documents had been received by the bank. Thus there was a time lapse between date of draw-down under the letter of credit and actual delivery of cash.

The documents Davy was required to produce were the first qualifying certificate together with documents referred to in it.

Others to be tendered at the same time corresponded to documents referred to in clause 36 of the contract. They included the completion certificate, a bill of sale in British form, the final stage certificate, and a "section 10 certificate" from the secretary of state for trade and industry confirming that all conditions of the guarantee issued under section 10 of the Industry Act 1972 had been satisfied or waived.

The scheme of clause 36.3.1 was clear. There had to be satisfactory completion or works and facilities. Davy had to produce to Emerald the various listed documents. Implicitly, Emerald had to be satisfied that they complied with the requirements of the contract. It then had to issue the completion certificate, countersign the final stage certificate and obtain a section 10 certificate. It would return all the documents to Davy, which would present them to the bank under the letter of credit.

Davy submitted that title in the FPF did not pass until it had drawn on the letter of credit, because until it had done so payment under clause 17.2 of "all that is due ... at completion" would not have been made.

Emerald said the amount due at completion did not include sums payable under the letter of credit, since they were only to be paid *after* completion – it only included cash payments to be made at time of completion. It said that under clause 36.3.1 completion occurred when the documents to be provided by Davy were received by Emerald, and at that time sums were not payable under the letter of credit.

The significance of the arguments derived from the fact that if Davy did not receive the 95 per cent before parting with title of the FPF, it might well receive only part of what would be owing to it; and from the fact that Emerald was going to be in very real difficulties in procuring the section 10 certificate.

The contractual intention as to the point at which title should pass was clear.

The starting point was clause 18.1(a).

That was an express clause dealing specifically with the passing of title. Title was not to pass until "completion and payment of the amount due ... at completion as referred to in clause 17.2". Both conditions must be satisfied.

Clause 17.2 required Emerald to pay Davy the 95 per cent on completion and contained an express cross-reference to clause 17.5. Clause 17.5 expressly provided that the obligation to pay the 95 per cent might "be satisfied by the contractor drawing under" the letter of credit.

It followed that until Davy had so drawn payment had not been made.

Payment of the cash by the bank was to be postponed for five working days after presentation and acceptance of documents. Acceptance crystallised the bank's liability and rendered it unconditional. The bank's accrued obligation to pay under the letter of credit was clearly intended to satisfy Emerald's obligation to pay.

It followed that it was Davy's drawing under the letter of credit that satisfied (in the present context) the second condition to the passing of title in clause 18.1(a).

It also followed that performance by Emerald of those of its obligations necessary to enable Davy to draw under the letter of credit were indirectly conditions of the passing of title and that, failing putting Davy into a position where it could draw under the letter of credit, the only way Emerald could perform the second condition to the passing of title would be by making an actual cash payment.

That conclusion was confirmed by clause 36.3.

Prior to completion, Davy, besides finishing the relevant work, had to provide Emerald with the various documents listed in 36.3.1.

If those documents complied with the contract, completion "shall occur". But that was not the end of it. Emerald had to perform the three stated obligations and "return all such documents forthwith" to Davy.

That showed the bill of sale and other documents were not given to Emerald without qualification, but simply for the purpose of enabling it to satisfy itself that they met contractual requirements and return them to Davy.

The intention of the contract was clear, and was consistent with the natural meaning of the words used in clause 18.1(a). Emerald's arguments to the contrary were mistaken.

The obligation to provide the section 10 certificate was an indirect condition of the passing of title. It was a condition that arose at completion.

In June 1991, after the contract had run into difficulties, causing financial problems for the parties and their backers, a "settlement agreement" was negotiated. Under clause 17 it was agreed "(a) subject to the provisions of sub-clause (b)" that repayment to Davy of sums outstanding at completion should be deferred. Subclause (b) provided that "the provisions of sub-clause (a) above shall not apply to any letter of credit issued to Davy in relation to the prime contract".

That could only be sensibly construed as leaving intact Davy's right to be paid in so far as it involved payments under letters of credit.

Judgment for Davy.

For Davy: Lord Irvine QC, Edwin Glasgow QC, Richard Wilmot-Smith, and Stuart Catchpole (Ashurst Morris Crisp).

For Emerald: John Dyson QC and Mark Templeman (Watson Farley & Williams).

Rachel Davies

Barrister